BEALE PLC

Annual Report and Accounts
for the year ended 3 November 2012

Stock code: BAE

Discover more
than you can
imagine at Beales

WELCOME TO BEALES

Founded in 1881, today we operate a Group of distinctive department stores across the country, from Hexham in the north to Bournemouth in the south.

We offer branded, functional and aspirational merchandise for men, women and the home, tailored to the individual requirements in each locality of our customers, the discerning ABC1 consumer, who is seeking quality, style and value for money.

We are proud of our individuality and our unique heritage, which we draw on to provide exceptional levels of personal customer service and in-store environments, which are being enhanced and updated constantly to meet the expectations of our customers.

Our aim is to grow our business through the ongoing development of our existing portfolio and to consider the acquisition of similar department stores as appropriate.

Beales Online

The Group continues to develop its internet sales, with the introduction of many new ranges, some of which may not be available in all stores. Visit www.beales.co.uk to review our wide range of direct delivered merchandise.

Loyalty

During the year the Group successfully launched its loyalty card, which now has over 160,000 card holders.

Discover more than you can imagine at Beales

For more information go to www.beales.co.uk

or you can follow us on facebook and twitter

ANNUAL SNAPSHOT

YEAR END 2012

Number of Stores	**32**
Trading Square Footage	**1,023,000**
Gross Sales £000	**135,549**
Revenue £000	**74,609**
Net exceptional Expense £000	**2,082**
Operating loss before exceptionals £000	**2,936**
Loss before tax £000	**5,750**
Loss per share	**(28.3p)**
Net Assets per share	**46.4p**

YEAR END 2011

Number of Stores	**32**
Trading Square Footage	**1,000,000**
Gross Sales £000	**110,027**
Revenue £000	**61,969**
Net exceptional Income £000	**4,800**
Operating loss before exceptionals £000	**3,832**
Profit before tax £000	**543**
Earnings per share	**2.9p**
Net Assets per share	**82.1p**

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Our Business

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ENHANCING THE SHOPPING EXPERIENCE

One of the key attractions of Beales stores is that there is always something different. In addition to new fashion every season, we actively seek out the hottest new brands, as well as continuously enhancing our own product and customer experience.

Our brand and vision has been re-energised, and our focus remains on providing an unrivalled department store shopping experience with first class customer service, extensive product mix and great value for money.

We have introduced a wide portfolio of brands, such as, Gerry Weber, Tom Tailor, James Aubrey, Miss Selfridge, Bensons for Beds and First Avenue. To give us our point of difference we also continue to develop our own label brands, Beales Collection womenswear and Broadbents & Boothroyds menswear.

SHOPPING WITH US IS NOW EVEN MORE REWARDING!

Welcome to Love Rewards, our Company's loyalty scheme to reward our loyal and most valued customers. Our customers are at the heart of everything we do. We want to reward our members with fantastic offers and events.

Benefits of the Scheme:

- 2 points for every £1 spent*
- Exclusive invitations to in-store Love Rewards Events
- Double & Triple Points Events
- Online Exclusive Offers

*With effect from 18 November 2012.

Loyalty Performance Statistics

- Since the scheme launched on 9 May 2012 we have accrued a membership of over 160,000
- The Love Rewards database is more than four times the active Account Card Base at closure, which was 35,000.

LOVE REWARDS
BEALES
bealesrewards.co.uk

CHAIRMAN'S STATEMENT

"I believe Beales have ended the year in a far stronger position. This has been achieved through reducing our cost base, launching our own loyalty programme, exiting our store card, outsourcing our catering operation, and introducing some exciting new product ranges and concessions to our stores."

Keith Edelman
Chairman

2011/12 has been another difficult year for UK retailers as we continue to operate in a very subdued economic environment. Consumer finances are stretched as salary levels remain constant and households struggle with the challenge of increasing prices whilst trying to reduce their personal levels of debt. Additionally, the relentless growth of online retailing continues to be at the expense of poorly prepared high street retailers. Nevertheless, I believe Beales have ended the year in a far stronger position. This has been achieved through reducing our cost base, launching our own loyalty programme, exiting our store card, outsourcing our catering operation, and introducing some exciting new product ranges and concessions to our stores. We have taken decisive action to reduce our reliance on the electrical, TV and Audio segment of our business, which has suffered with the double impact of reducing sales at ever lower margins. In our on-line business, we have launched the Discount Linen Shop, which has performed well albeit at relatively low volumes of turnover to date.

The management actions we took in 2011/12 resulted in our operating loss before exceptionals reducing by £0.9m compared to the previous year. Our cost base following the Anglia Regional Co-operative Society Limited (ARCS) acquisition in May of the previous year has reduced substantially throughout the year, which means that 2012/13 should show further cost reductions as compared to 2011/12.

During the key Christmas period of the five weeks to 5 January, our like for like net sales were down by 1.6% but, due to our diligent management of margin and costs, our profit over this key trading period has improved.

We have already announced that Tony Brown, who has led our business as chief executive since 2008, will be leaving Beale to pursue another opportunity. Tony has run our business in an exemplary fashion and we are very sad to see him leave.

As previously reported, Ken Owst resigned from the business during the year and was replaced by Michael Hitchcock as an interim financial director (Non statutory).

Since joining Beale, Michael has been instrumental in leading many of our business initiatives and has accomplished all these tasks in an efficient and effective manner. In a very short period of time, he has had a major impact on the business. I am therefore very pleased to announce that Michael has accepted our offer of becoming the next chief executive of Beale. Tony Richards will now take a greater pivotal role in the development of our trading position by taking on responsibility for marketing. Chris Varley FCA, our company secretary, will become head of finance. I am certain that this management team has the right mix of skills to meet our major objective of returning Beale to profitability.

Simon Peters will resign as a non-executive director shortly after the AGM and Stuart Lyons CBE, chairman of Airsprung Group PLC, will then be appointed as a non-executive director as Panther Securities PLC's representative.

We are also pleased to announce that we have refinanced our debt at improved rates with Burdale Financial Limited, securing our funding for the next three years.

As already announced, we have asked shareholders to approve a change in our listing from Premium to Standard. We believe that, over the next few years, we will need to be able to take advantage of any property opportunities that arise in an expedient manner. It will be more efficient to complete such transactions with a Standard listing. We are therefore recommending this change to shareholders in order that we can capture any opportunities that arise over the next few years to enhance shareholder value.

I would particularly like to thank all our staff for their tremendous efforts during the year. Our staff are a key differentiator in our consumer proposition vis-a-vis our competitors and I do believe we offer both a more friendly and helpful level of customer service. In addition I would also like to thank all our concession partners, suppliers and AIS, our buying group, as without their contribution we would not be able to develop such a wide product offer for our customers.

In conclusion, we still have much to do and we do not believe that the economic environment will assist us in 2013 in our major objective of returning the Company to profitability. We are, nevertheless, completely focused on the task in hand and believe we have the leadership, energy and resilience required to accomplish our objectives as set out in the chief executive's statement.

I would, in closing, once again wish to voice my sincere thanks and appreciation to Tony Brown for his dedication and professionalism in leading Beale over the last four and a half years.

Keith Edelman
Chairman

CHIEF EXECUTIVE'S STATEMENT

"The Board will work hard to deliver the improvement in results, with the ultimate objective of returning the Group to operational profitability."

Tony Brown
Chief Executive

Introduction

The much reported challenging retail environment has continued this year as the government continues to reduce spending, combined with depressed economic growth which saw the economy slip into a double dip recession and a number of high profile retail administrations. Our gross sales (including concessions and VAT) were £136m *(2011: £110m)*, although after taking into account the acquisitions and 53rd week our like for like sales actually fell 5.6%. A part of this drop can be attributed to the fall off in the electrical market especially TV and Audio sales, which fell by 38.3% to £2.6m. Whilst I am disappointed at any loss, we have managed to reduce the pre-exceptional loss by 23.4% on last year. However, we had exceptional charges of £2.1m in respect of restructuring and impairment *(2011: £4.8m exceptional credit)*. Actions taken by management such as staff restructuring and improved stock management in the first half of the financial year came through in the second half, with the year 2012/13 expecting to see the full year positive effect. The pre-tax loss for the year was £5.8m. It will be noted that last year's £0.5m profit included a £4.8m exceptional profit from the acquisition of the 19 department stores from ARCS.

After extensive customer research we introduced our first loyalty programme (Love Rewards). This has been very well received and now has over 160,000 members. This gives us a great platform to talk to more of our customers than the store card, which had around 35,000 active members. Whilst closing the store card was a difficult decision, it has been handled exceptionally well by the team with very few complaints.

Product sales

The expansion of the Group has provided us with a significant increase in buying power, which has provided more opportunities to buy volume lines at better pricing. We have also been able to bring more own bought product groups such as small domestic appliances and occasional furniture into the core business and these new areas are continuing to deliver incremental sales.

We continue to build and strengthen our own label portfolio: Whitakers Finest Linens is a high thread-count sheeting and towel range. Home Basics provides entry price point towels, sheeting, duvets and pillow ranges. In fashions we have grown our own label menswear brand, Broadbents & Boothroyds, a casual lifestyle brand which is now our biggest performing menswear brand. We continue to add to the successful All Cooks housewares collection expanding into kitchen textiles.

We continue to develop our internet sales offering with the introduction of many new ranges. The Board sees the continued growth in this sales channel as an important part of our future sales strategy, especially as we now have stronger geographical presence in many parts of the country which is improving our brand awareness. We will continue to develop our email address base to help grow such internet sales. We have invested more resources into our on-line business and have seen some impressive 230% uplift in sales. We do however remain a very small player in this market and are reviewing our options to continue to develop this important aspect of the business' future.

We have made the decision to come out of the TV and Audio business in most of our stores and convert the space into more profitable use.

We continue to develop the concession business with concessions now accounting for 45.95% *(2011: 43.63%)* of gross sales.

Buying in margin

Our overall buying in margin has been affected by the mix of product in the acquired stores, many of which have large electrical departments which generate higher revenues as a result of the larger ticket prices but operate on considerably lower margins. However, we continue to exploit opportunities to enhance the achieved margin by the growth in our own label products which has been helped considerably by the increase in scale of our business. We will see an improved margin performance as we reduce the concentration on low margin products in electrical.

Service and people

Customer service is pivotal to our proposition and a core value. We have invested considerable time, energy and money in training programmes aimed at improving our levels of customer service. We continue to invest in our stores to improve the customer experience whilst shopping with us and our ambition continues to be to deliver levels of service that our customers simply cannot get anywhere else.

The Board wishes to thank all of our staff for their hard work and contribution throughout the year.

Cost controls

We continue to challenge all our cost areas and it remains uppermost in our minds, whilst ensuring that we balance this ambition with maintaining our service levels, sales drive, operating systems and central support. We will continue to look for cost saving opportunities and further synergies throughout the coming year. We have invested in technology within our accounts department, our loyalty card and our procurement methods which has seen some significant cost savings. Unfortunately this has resulted in a number of head office redundancies. The Board would like to thank those affected for their many years of service.

Following the Board's impairment review a charge of £1.4m *(2011: Nil)* has been included in exceptional items where the carrying value of certain store fixed assets exceed the future value expected to be derived from holding the assets.

Principal risks and uncertainties

The principal risks and uncertainties have not changed from last year and your Board continues to apply mitigating actions. All retailers face a very challenging and competitive trading environment. Sound risk management is an essential discipline for running the business efficiently. The nature of risk is that no list can be totally comprehensive, though the directors believe the principal risks and uncertainties faced and the mitigating actions taken to manage these risks and uncertainties are as follows:

A sustained economic downturn with the need for increased discounting and promotions adversely impacts on revenues and margins. In mitigation we:

- Continually review the markets and performances of the trading environment
- Balance our exposure by managing product mix, supplier mix and profit margins
- Regularly monitor strategic key performance indicators
- Seek to enhance our sourcing margins and improve commercial terms

CHIEF EXECUTIVE'S STATEMENT continued

In uncertain economic conditions the level of resources may be inappropriate to deliver the expected business benefits. In mitigation we:

- Regularly review the group corporate plan against expectation
- Monitor our cost controls against structured financial plans and act accordingly
- Invest in appropriate systems to cost-effectively monitor performance and add value

The Group has inadequate financial resources to deliver the planned business benefits. In mitigation we:

- Maintain a strong relationship with major stake-holders
- Ensure consistent and disciplined monitoring of working capital
- Review the allocation of Group resource and capital investment

The Group strategy for enhanced profitability from acquisition benefits is delayed. In mitigation we:

- Undertake regular reviews and reappraisals of integration plans
- Seek to capture the identified synergy benefits from acquisitions
- Continually challenge the supply base to deliver enhanced margins
- Regularly monitor performance to ensure the expected economies of scale are delivered

The Group may lose further expertise in addition to the Directors who have resigned which is key to delivering success. In mitigation we:

- Seek to motivate all colleagues to fulfil Group targets
- Have an ethos of candid and honest communication
- Relevant review of remuneration appropriate to all areas of the business
- Seek to develop our people to take on greater responsibility

We have continued to work within our banking facilities. However, the Group is subject to a number of risks and uncertainties, the principal ones being set out above, which we continually review in determining that the Group continues to operate as a going concern, as explained in the Financial Review on pages 10 to 13.

Environment

We believe in working with and supporting the communities in which we operate and we are closely involved with the town centre and councils in many of the towns in which we trade. We continue to seek ways to reduce product packaging and bag usage in addition to increasing the recycling of cardboard, plastic and other waste. We also continue to pay particular attention to reducing the environmental impact of the Group's carrier bags and with assistance from the Carbon Trust seek opportunities for greater energy efficiency in our stores, service buildings and offices. The financial implications of the government policy in relation to the carbon limits will be a continued burden on all businesses, we continue to seek to reduce our carbon footprint by working with the relevant government agencies.

Outlook and summary

Since my last statement, the economic outlook has not changed significantly. We continue in a difficult economic environment with the high street becoming more challenging, and the reality of the government's spending now starting to have an effect on the economy. We have seen big ticket items such as electrical (i.e. TVs and white goods) and furniture become more aggressively promoted across the retail sector. Quite simply it is very difficult to accurately forecast consumers' attitude to retail spending set against a backdrop of increasing media speculation on the high street that continues to paint a bleak future, the overall UK economic conditions and the possible impact of further financial contagion.

We will therefore focus our attention on what we can control. We will continue to monitor our customers' reaction to any changes and adjust our trading strategy accordingly, but in my view the uncertain economic environment will continue to make our customers cautious throughout the year. Our increased focus on commercial direct purchasing has assisted us to date, benefiting our input margins. Our balance sheet remains strong. As a management team, we are continuously and rigorously focused on improving our business not just for today, but also for when the economic upturn comes. The Board will work hard to deliver the improvement in results, with the ultimate objective of returning the Group to operational profitability.

I will be leaving the Group on 8 February 2013 to pursue a new opportunity. I am grateful for all the support I have received from stakeholders and colleagues over the last 4½ years. I wish the Group well for the future.

Tony Brown
Chief Executive

FINANCIAL REVIEW

Overview of the Year

The business has taken great strides this year to re-set the operational cost base to one that is right for the size of the Group and one that concurs with more efficient retail practices. Process efficient cost reductions have been made across the business which will see the full year effects in the next year. Further work in this area is ongoing.

In a retail sector materially and adversely affected by abnormal weather, sporting and Jubilee events and the continuing global economic turmoil, the focused management of cash flow and debt balances has been critical; this has been achieved through diligence across the entire business.

The balance sheet still retains in excess of £9.5m net asset value with significant freehold assets and a more current stock balance than more recent years. This has allowed refinancing of the debt (see below), which will allow the focus of management to shift from the bank's requirements to the business.

The refinancing of the revolving credit facility in June 2012, provided the business with the opportunity to take the necessary strategic steps to see itself through the ongoing recession. However, it was evident that the softer than expected trading results through the summer, alongside the renewed and arguably restrictive covenant levels that were set at the time, would not allow the business the scope nor the headroom to operate free of continuing bank scrutiny.

The refinancing of the debt in January 2013 means that there are a number of key strategic expenditure projects that the business can now start to look at with more certainty.

Results

Gross sales, which includes VAT and concessional sales increased to £136m *(2011: £110m)*, benefiting from the full year contribution of the 19 Anglia Regional Co-operative Society Limited stores which were acquired part way through the prior year. The gross sales in the current year also benefit from an additional trading week at the end of the current year. Excluding both the acquired stores and the 53rd week, the 13 core Beales stores gross sales were 5.6% below the prior year, but with an improving trend at the end of the year.

Group revenue from continuing operations increased 20.4%, largely reflecting the 19 acquired stores and the extra trading week referred to above, and affected adversely with a change in the sales mix shifting in favour of concession sales as opposed to own bought sales.

Gross margins have been impacted following the actions to cleanse the stock holding in stores; old stock has been sold through to free up both cash and the ability to buy in fresher more current stock. The business continues to make further progress in identifying the optimum and reduced stock carried in the business at any one time.

Despite the full year effect of the 19 Anglia Regional Co-operative Society Limited stores, which were acquired part way through the prior year, and the effect of the added week of administrative expenses, the total administrative expense before exceptionals increase was held to 14.2%, and represents an improvement as a percentage of gross sales from 32.4% in the prior year to 30.0% in the current year. A considerable amount of work has gone into improving the process and structure of the cost base. This has led to reductions in costs with no impact on the customer except for the closure of the store card.

The operating loss before exceptionals has reduced markedly by 23.4%, to £2.9m and with the initiatives referred to above, this trend is expected to show a continuing improvement into the future.

Following an impairment review carried out by the directors a charge of £1.4m *(2011: Nil)* has been included in exceptional items, where the carrying value of certain individual store fixed assets exceed the future value expected to be derived from holding the assets.

The net cost of financing the business has increased markedly, although the majority of the increase, £0.2m, relates to the implied annual finance charge on the preference shares which is not paid in cash as it represents an accounting charge.

Taxation

Due to the increase in the deferred tax liability associated with the prior year, which more than offset the beneficial impact of the reduction of the standard rate of corporation tax in the UK, the tax charge is £59k.

The loss for the period after taxation was £5.8m *(2011: £0.6m Profit)*.

Earnings

The loss per share was (28.3p) *(2011: earnings per share 2.93p)* and the diluted loss per share was (28.3p) *(2011: earnings per share 2.80p)*.

Loss before interest, depreciation, amortisation and pre-exceptional items improved to £1.4m *(2011: £2.0m)*.

No dividends were paid during the year *(2011: nil per share)*. The Board considers that a significant trading improvement will be necessary before further dividends are paid.

Pensions

The Group offers new employees the opportunity to join the Beales defined contribution pension scheme. During April 2009 the Group closed its defined benefit pension scheme to future accrual, having been closed to new entrants since April 1997. The scheme is operated by the main trading subsidiary, J E Beale plc, which also has the responsibility for the Denners pension scheme. That scheme was closed to new members and future accrual when Denners Limited was acquired by the Group in 1999. The net liability for both schemes remains on balance sheet.

The Group's total final salary net pension liability under IAS 19 at the year end increased by £1m to £1.2m *(2011: £0.2m)*; details of this are shown in note 32 of the financial statements. The total actuarial losses for the period were £2.2m *(2011: £0.7m gain)*. The Beales scheme has an IAS 19 deficit of £1.7m *(2011: £0.8m deficit)*. The Denners scheme has an IAS 19 surplus of £0.5m *(2011: £0.5m surplus)*.

During the year the Group continued to meet the contribution schedules agreed with the trustees for both schemes, contributing £1.2m *(2011: £1.6m)*. Agreement was reached with the trustees of the Beales scheme regarding the triennial valuation based upon the year end of October 2010 and a new schedule of contributions was then agreed. This was subsequently revised at the time of the renewed revolving credit facility in June 2012. This resulted in a rate of contribution of £0.5m per annum, a reduction from the £1.55m per annum previously agreed. The Denners scheme October 2011 triennial valuation has been finalised by the actuary and no employer contributions are required.

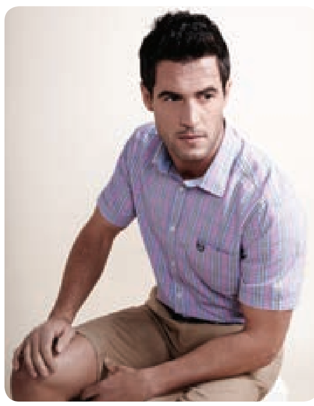
Group systems

The Group systems are being continually improved to allow expedient and more effective decision making; retail is a 24/7 sector which requires information on a real time basis to be able to react to customer demands, market trends and environmental changes. The improved efficiency will continue to drive further efficiency cost savings.

Treasury and banking

Treasury activities are governed by procedures and policies approved by the Board. The Group's policy is to take a conservative stance on treasury matters and no speculative positions are taken in financial instruments. The treasury function manages the Group's financial resources in the most appropriate and cost-effective manner.

In negotiating the acquisition of the stores from ARCS in May 2011, the Group negotiated a five-year term loan facility of £2.5m and issued £8.5m of preference shares at their nominal value. The term loan was repayable at a rate of £0.5m per annum, although this was subsequently revised at the time of the renewed revolving credit facility in June 2012. The 8.5m £1 preference shares issued on 22 May 2011 are interest free for a period of five years, then interest is payable at a rate of 8.0% for four years, thereafter interest is payable at 9.0% for the residual life. They are to be redeemed at a rate of £0.5m bi-annually from year five (note 20). The Group has the option to redeem the preference shares at any time without any penalty for settlement. The specific terms of the preference shares create an embedded derivative for the Group. The fair value of the preference shares and the valuation of the embedded derivative were included in calculating the negative goodwill arising from the acquisition in 2011. There will be non-cash charges and/or credits in the financial statements for future years relating to accreted interest on the preference shares and fair value gains and/or losses in relation to the contracts' embedded derivative. Details of the preference shares and embedded derivative are shown in note 20 and 30 of the financial statements.



FINANCIAL REVIEW continued

Ahead of the half year in June 2012, the Group successfully negotiated an amendment and extension of its revolving credit facility with HSBC (the "HSBC Facility"). The HSBC Facility extended for three years and four months and came with covenant criteria which were more stringent than previously. The facilities are secured on the Group's freehold properties which were independently revalued in October 2011 at £12.6m, a value well in excess of the current bank facility. The Group has continued to operate within its banking facility, which comprises a £8.5m term loan which is due to expire in October 2015 and an operating overdraft of £112,000. The Group net bank debt at year end was £7.5m *(2011: £2.4m)*.

It was evident that, following the June renewal and extension, and the softer than expected trading results throughout the second half of the financial year, that the renewed covenant levels would not allow the business the scope nor the headroom to operate free of continuing bank scrutiny.

Subsequent to the balance sheet date, the business has therefore sought to create the flexibility to return the Group to a positive profit position whilst allowing the business to meet its ongoing working capital needs and financing obligations. It has achieved this by negotiating a re-finance arrangement with Burdale, an asset backed lender. Burdale Financial Limited are a subsidiary of Wells Fargo Bank in the USA. The terms of that loan facility are for up to £12m Senior Secured Credit Facilities.

The Facilities will be secured by first security interests in and liens/charges upon certain present and future assets and undertakings.

Going concern

As noted in both the Chairman's Statement and Chief Executive's Statement on pages 4 to 9 all retailers face a very challenging and competitive trading environment and there are a number of risks and uncertainties facing the Group which are likely to impact its future development, performance and position. We are continually assessing our performance and managing these risks and uncertainties in considering the appropriate resources required for the Group. Note 30 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk, interest rate risk, market risk and liquidity risk. The new financing facilities concluded post the balance sheet date include one financial covenant which requires testing at specific dates determined by the lender.

The Board is aware of the challenging and uncertain economic conditions and the risks and uncertainties facing the Group, and has prepared detailed forecast information for the 2012/13 financial year, and higher level forecasts for financial years to 2016/17. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of the new facility and in compliance with the covenants and other stated conditions.

Based upon the forecasts and projections, coupled with the strategies set out in the Chairman's and Chief Executive's Statements and the support of the Group's lenders and other key stakeholders, the Board has a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. On this basis the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Balance sheet and cash flow

The balance sheet still retains £9.5m *(2011: £16.9m)* of net assets despite the more recent trading shortfalls and increase in borrowings. There has been a concerted effort to reduce working capital balances through chasing debtors and seeking to obtain improved credit terms. Stock levels have been carefully managed to ensure the right stock levels are maintained at all times to take advantage of the critical sale periods.

Inventories, valued at cost, were £15.8m *(2011: £16.5m)* a decrease of 4%, which is attributable to better stock management. This sum includes the peak stock volumes prior to Christmas. Trade and other receivables were £5.3m *(2011: £5.7m)*, a 7% reduction, attributable to diligent actions to collect cash and informing customers the store card facility would close. Trade payables at year end marginally decreased to £8.2m *(2011: £8.3m)*. Accruals and deferred income decreased to £5.5m *(2011: £6.8m)* primarily as a result of the fact that this year included a 53rd week and payments were released that would otherwise not have been last year. The Group has continued to ensure that creditor payments have been prioritised in order to benefit from maximum early settlement discount.

Total borrowings of £9.3m *(2011: £5.6m)* are included in both current and non-current liabilities; the increase reflective in the main of the increasing outflow from operating activities, the investment in critical property, plant and equipment and the ongoing disbursement of pension obligations.

The increased valuation of the preference shares on an amortised cost basis, coupled with the increase in the IAS 19 pension liability and the increase in lease incentives, increased the year end long-term liabilities other than borrowings, by £1.9m to £15.2m *(2011: £13.3m)*.

Group net assets at year end decreased to £9.5m *(2011: £16.9m)*. The value of net asset per share at year end was 46.4p *(2011: 82.1p)*.

DIRECTORS

1. TONY BROWN
Chief Executive (age 55)

Appointed chief executive on 1 June 2008. He was retail director of British Home Stores from 2001, and was responsible for store operations throughout the UK and Ireland. He was previously operations director of Somerfield Stores and a regional managing director of Asda stores. He will resign on 8 February 2013.

2. JOHN CHILLCOTT
Non-Independent Non-Executive Director (age 54)

Appointed to the Board on 24 August 2011 under the terms of a non-executive director agreement with Anglia Regional Co-operative Society. John joined the ARCS in 1996 where he held a number of positions. In 2007 he was appointed chief executive of ARCS. In May 2012 John was appointed to the Board of AHF Limited under the terms of an agreement with ARCS.

3. KEITH EDELMAN
Between 30 October 2010 and 8 November 2011 Keith Edelman was Senior Independent Non-Executive Director, chairman of the remuneration committee and a member of the audit & nomination committees. From 8 November 2011 he was appointed Independent Non-Executive Chairman; chairman of the nomination committee and a member of the audit and remuneration committees (age 62)

Appointed a director on 23 September 2008. He was managing director of Arsenal Holdings from May 2000 to May 2008 and group chief executive of Storehouse PLC (comprising British Home Stores and Mothercare) between 1993 and 1999. He is currently chairman of Nirah, the senior independent director of Supergroup PLC and a non-executive director of London Legacy Development Corporation. Keith is a non-executive director and chairman of both the audit and remuneration committees, of Safestore Holdings PLC. Keith is also a non-executive director of Thorntons and becomes the senior independent director as from 1 February 2013.

4. SIMON PETERS FCCA, CTA
Non-Independent Non-Executive Director and member of the nomination committee (age 35)

Appointed to the Board on 28 April 2010. He was appointed as finance director of Panther Securities PLC in 2005, Panther Securities PLC is a substantial shareholder. He was with KPMG chartered accountants between 1999 and 2004.

5. TONY RICHARDS
Trading Director (age 46)

Appointed to the Board on 1 September 2011 having joined the Company on 4 July 2011. Prior to joining Beale PLC he was a retail consultant. From 1990 to 2008 he worked for Furnishing Place Limited, where he was chief executive from 2004 to 2008.

6. WILLIAM TUFFY MBA, ACA, FCCA
Director appointed 8 November 2011. Senior Independent Non-Executive, chairman of the audit committee and remuneration committee, and a member of the nomination committee (age 50)

He is the interim group finance director for a large private company. From November 2007 to September 2008 he was Celebrations Group Limited interim finance director. From December 2004 to March 2007 he was finance director of Select (Retail Holding) Limited. Previously he had been finance director of TK Maxx Limited and held senior finance positions in Storehouse PLC.

Other directors who served during the year

MIKE KILLINGLEY MA, FCA
Independent Non-Executive Chairman; chairman of the audit and nomination committees and member of the remuneration committee (age 62)

Appointed to the Board in March 2004. He resigned on 8 November 2011.

KEN OWST BA(Hons), FCMA
Finance Director (age 56)

Appointed a director in August 1994. He resigned on 23 June 2012.

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the 53 weeks ended 3 November 2012.

Principal activities

The Company is the holding company of the Group whose principal activity is the operation of department stores. The Group trades as Beales in Abingdon, Bedford, Bolton, Bournemouth, Beccles, Bishop Auckland, Chipping Norton, Cinderford, Diss, Harrogate, Hexham, Horsham, Keighley, Kendal, Kings Lynn, Lowestoft, Maidstone, Mansfield, Peterborough, Poole, Redcar, Rochdale, Saffron Walden, Skegness, Skipton, Southport, Spalding, St Neots, Tonbridge, Winchester, Wisbech, Worthing and Yeovil. Maidstone opened on 1 June 2012 and Skipton closed on 3 November 2012.

Business review

A review of the business of the Group, including a list of the principal risks and uncertainties facing the Group, is set out in the Chairman's statement, the Chief Executive's statement and the Financial Review on pages 4 to 13. The Chief Executive's statement also includes details of expected future developments in the business of the Group.

Dividends

No dividend was paid during the year (*2011: no dividend paid*). The directors do not recommend the payment of a dividend.

Capital structure

Ordinary shares

Details of the issued ordinary share capital of the Company are shown in note 25 to the financial statements. The Company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one poll vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Preference shares

At the EGM held on 17 May 2011 the shareholders approved the issue of 8,500,000 new redeemable preference shares of £1 each in the capital of the Company to ARCS. The preference shares do not carry any rights to vote in general meeting unless the business of the meeting includes the consideration of a resolution to wind up the Company or a resolution is proposed that would adversely vary the special rights attaching to the preference shares, in which case the holder(s) of the preference shares will be entitled to vote on that resolution only. In that event, the preference shares will have one vote per share.

After 22 May 2014, the preference shares will be freely transferable to a maximum of five transferees in multiples of at least £500,000.

No dividend will accrue on the preference shares until 22 May 2016. Thereafter, a preferential dividend of 8% per annum will initially be payable on each of the preference shares for a period of 48 months, increasing to 9% per annum thereafter.

On a return of capital on a winding up of the Company, or otherwise, preference shareholders will take priority over ordinary shareholders (other than on conversion, redemption or purchase of shares).

Subject to the Companies Act 2006, the Company has the option to redeem, at nominal value, any of the preference shares at any time. This redemption option gives rise to an embedded derivative asset which is recognised at fair value on the balance sheet. The Company is required to redeem any such shares that have not been converted half-yearly in two equal instalments of £500,000 payable on 30 November and 31 May in each relevant financial year, save that the first such redemption to be made on 30 November 2016 will be only in respect of 193,388 shares as 306,612 preference shares were redeemed on 7 December 2012 as explained below. In addition, the preference shares must be immediately redeemed on a change of control of the Company or on a sale of all, or substantially all, of the assets of the Group. Furthermore, should the Group cease trading and fully close down and cease to operate any of the stores acquired from ARCS on 22 May 2011, then an amount of preference shares equivalent to the value of the stock relating to that store as at 22 May 2011 will be redeemed. Skipton ceased trading on 3 November 2012 and on 7 December 2012 306,612 preference shares were redeemed.

Under certain circumstances such as failure to redeem preference shares, pay a dividend etc, preference shareholders have a right to convert their shares in fully paid ordinary shares consisting of not more than 9.99% of the Company's issued ordinary share capital. The preference shares are treated as a liability in the financial statements due to their terms and conditions, including the fact that because the number and value of shares at such a conversion is not fixed in advance.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Acts, related legislation and the non-executive director agreement with ARCS. The Articles themselves may be amended by special resolution of the shareholders.

Details on employee share schemes are set out in note 26 and in the remuneration report.

Directors

The directors during the year and to the date of issuing this report were Tony Brown (resigned 8 February 2013), John Chillcott, Keith Edelman*, Michael Hitchcock (will be appointed on 9 February 2013), Mike Killingley* (resigned 8 November 2011), Ken Owst (resigned 23 June 2012), Simon Peters*, Tony Richards and William Tuffy* (appointed 8 November 2011) (*Non-executive).

William Tuffy was appointed as an independent non-executive director on 8 November 2011. Michael Hitchcock will be appointed chief executive on 9 February 2013 and will offer himself for election at the Annual General Meeting.

Under the Articles of Association, this year no other director is required to offer himself for re-election at the Annual General Meeting. John Chillcott's appointment is not subject to approval by the shareholders.

Biographical details of the directors, indicating responsibilities and experience, are on pages 14 and 15.

Directors' interests

The directors who held office at 3 November 2012 had the following interests in the share capital of the Company.

	2012 Ordinary shares of 5p	*2011 Ordinary shares of 5p*
Tony Brown	**15,000**	*15,000*
John Chillcott	**–**	–
Keith Edelman	**15,000**	*15,000*
Simon Peters	**–**	–
Tony Richards	**10,000**	–
William Tuffy	**–**	–

Simon Peters is financial director of Panther Securities PLC which is listed on the next page as a substantial shareholder and which is also the landlord of a number of the stores from which the Group trades.

There were no changes to the above holdings from 3 November 2012 to 4 February 2013.

Directors' share options

At the EGM on 17 May 2011 the shareholders approved the adoption of the Beale PLC Performance Share Plan 2011. Details of the scheme and the share awards granted are shown in note 26 of the accounts and in the remuneration report on pages 74 to 78.

Insurance

The Company maintains directors' and officers' liability insurance.

Payment practice

The Group's policy is to settle invoices within contractual timescales agreed in advance with suppliers. Settlement terms are agreed at the time of placing orders and at the commencement of business with suppliers. The Company is a holding company and has minimal trade purchases. The Company does not follow any code or standard on payment practice. Group payments are made in accordance with contractual and legal obligations. As at 3 November 2012, the Group's creditor days were 38 *(2011: 38)* (based upon the year end trade creditors as a proportion of purchases during the year). As at 3 November 2012 the concession element of trade creditors was larger than the prior year, this masked an improvement in credit terms.

DIRECTORS' REPORT continued

Fixed assets
In the opinion of the directors, the current open market value of the Group's interests in land and buildings equates to the book value. The Group's liability to taxation if land and buildings were sold at that value would be approximately £963,000 *(2011: £1,207,000)*. This liability to taxation takes into account indexation from the date of purchase.

Donations
During the year, donations amounting to £1,182 *(2011: £14,248)* were made by the Group to charitable organisations, assisting the communities within which the Group operates. No political donations were made in either year.

Substantial shareholdings
At 4 February 2013, in addition to certain directors' interests, which are disclosed above, the following were interested in 3% or more of the issued ordinary share capital of the Company:

Panther Securities PLC/Maland Pension Fund/Perloff	29.72%
Henderson Global Investors	10.69%
Lawdene Limited	4.51%
Nigel Beale and Anthony Lowrey	3.99%

Disabled employees
The Group's policy is to ensure that no disabled applicant or staff member will receive less favourable treatment or be disadvantaged by job requirements or conditions. Where appropriate, retraining or job adjustments are made to assist staff members who become disabled.

Employee consultation
Staff members receive information about the Group and store news through bi-weekly newsletters and weekly meetings. Group results and announcements are also posted on noticeboards. Consultation with staff representatives takes place through senior management meetings and individual store councils, whose members are then in a position to inform their colleagues.

Carbon commitment
The Group is a fully mandated participant in the energy efficiency carbon reduction commitment scheme administered by the Department of Energy and Climate Change. The Company continues to look at ways to reduce its carbon footprint.

Corporate governance
The Corporate Governance statement on pages 20 to 23 forms part of the Directors' Report.

Auditor
In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting of the Company.

By order of the Board

Chris Varley BSc FCA
Secretary
4 February 2013

Registered office:
The Granville Chambers
21 Richmond Hill
Bournemouth, BH2 6BJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Keith Edelman
Chairman
4 February 2013

Tony Brown
Chief Executive
4 February 2013

CORPORATE GOVERNANCE

A statement on how the Company has applied the principles contained within the June 2010 FRC UK Corporate Governance Code is set out below.

Board of directors

At the end of the year the Board comprised four non-executive directors and two executive directors. The independent non-executive directors during the year were Keith Edelman, William Tuffy (appointed 8 November 2011) and Mike Killingley (resigned 8 November 2011). Keith Edelman replaced Mike Killingley as chairman on 8 November 2011 and William Tuffy replaced Keith Edelman as senior independent non-executive on 8 November 2011. Simon Peters and John Chillcott were non-independent non-executives throughout the year. The chief executive was Tony Brown (resigned 8 February 2013) and Tony Richards was a trading director throughout the year. Ken Owst who was finance director resigned on 23 June 2012. Michael Hitchcock joined the Group in May 2012 and was appointed as interim finance director on 23 June 2012. During the year Michael Hitchcock was not on the Board but did attend Board meetings. On 9 February 2013 Michael Hitchcock will be appointed chief executive. All directors except John Chillcott are required to submit themselves for re-election at least every three years and newly appointed directors are required to seek election at the first Annual General Meeting following their appointment. Under the non-executive director agreement signed with ARCS, the ARCS nominated director is not required to stand for re-election. All directors are able to bring independent judgement to bear on Board matters. Individual directors possess a wide variety of skills and experience.

The Company has an audit committee, a remuneration committee and a nomination committee, all of which have defined terms of reference which are available on request. The non-executive directors monitor the Group's performance and its executive management. The roles of the chief executive and chairman are clearly divided, with the chief executive having responsibility for running the Group's businesses and the chairman running the Board. The senior independent non-executive director's responsibilities include the provision of an additional channel of communication between the chairman and the non-executive directors and another point of contact for shareholders if they have issues of concern which communication through the normal channels of chairman, chief executive or finance director, has failed to resolve, or where these contacts are inappropriate.

The Board meets formally at least eight times a year and provides overall operational and financial control. There is a schedule of matters specifically reserved for the Board's decision to ensure that the management and direction of the Company are under its control. Each executive director has their own sphere of responsibility. The chief executive has overall responsibility for the performance of the business. Decisions relating to entering into a lease, a major capital project or the corporate plan, for example, are taken at Board level. Decisions related to identifying new products, implementing systems or day-to-day management of a capital project, will be the type of decision delegated to the management.

There is a procedure agreed by the Board of directors, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense. Directors and officers of the Company have the benefit of a directors' and officers' liability insurance policy. All directors have access to the advice and services of the company secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the company secretary is a matter for the Board as a whole.

Directors receive appropriate training on appointment to the Board and on an ongoing basis. The company secretary and the executive directors prepare the agenda and appropriate Board papers on a periodic basis. These Board papers are in a form and of a quality appropriate for the Board to discharge its duties.

Directors' remuneration

Details of the operation of the remuneration committee, including a statement on directors' remuneration, are given on pages 74 to 78.

Business model and strategy

Details of the Group's business model and strategy are set out in the Chief Executive's statement.

Audit committee and auditor

From 8 November 2011 to 3 November 2012 the audit committee comprised the two independent non-executive directors, William Tuffy and Keith Edelman. For the period from 30 October 2011 to 8 November 2011 Mike Killingley and Keith Edelman were on the Audit committee. The committee has written terms of reference which deal clearly with its authority and duties. The committee meets at least twice a year and the other Board members, company secretary and the Company's external auditor attend by invitation.

The committee has responsibility for monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein. In addition, the committee has responsibility for dealing with the external auditor, reviewing non-audit services and reviewing the Group's internal audit programme. The audit committee also reviews arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. The committee is responsible for reviewing the Group's internal financial controls and risk management systems. Throughout the year the Group had an internal auditor. The duties of the audit committee include keeping under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the auditor. The terms of reference of the audit committee, including its role and the authority delegated to it by the Board are available at the Company's registered office.

The auditor does provide certain non-audit services, principally in relation to transaction support services and taxation. The audit committee ensures that appropriate safeguards of audit independence are applied. Furthermore key judgements made in all areas of audit work performed were subject to independent partner review. These transaction support and taxation services are controlled by non-audit partners. The partner separation of duties allows the auditor to remain independent and objective. Details of auditor's remuneration are given in note 6 of the financial statements.

Nomination committee

For the period from 8 November 2011 to year end the nomination committee comprised Keith Edelman (chairman), William Tuffy and Simon Peters. On 8 November 2011 Mike Killingley resigned and William Tuffy joined the nomination committee. The committee's main duties are to review the structure, size and composition of the Board, to consider succession planning for directors and other senior executives and to identify and nominate for Board approval candidates to fill Board vacancies. The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office. A recruitment consultant was used to assist in the recruitment of William Tuffy. The Group has an equal opportunities policy covering all aspects of employment in the workplace and this policy is applicable to the nomination committee.

Director attendance at meetings held during the 2012 financial year

	Full Board	Audit committee	Remuneration committee	Nomination committee
Number of meetings	12	4	1	2
Tony Brown	12	–	–	–
John Chillcott	9	–	–	–
Keith Edelman	12	4	1	2
Mike Killingley*	1	1	1	–
Ken Owst+	8	–	–	–
Simon Peters	10	–	–	–
Tony Richards	12	–	–	–
William Tuffy	11	4	–	2

+ in light of resignation on 23 June 2012
* in light of resignation on 8 November 2011

Financial reporting

The Group has a full system for reporting its financial results on a monthly basis. In the directors' view, the audited financial statements for the 53 weeks ended 3 November 2012, together with the interim and other reports made during the financial year, present a balanced and understandable assessment of the Group's position and prospects.

Internal controls

The directors acknowledge that they are responsible for the Group's system of internal operational and risk control covering financial compliance management and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against misstatement or loss.

CORPORATE GOVERNANCE continued

The key components designed to provide effective internal controls within the Group are:

Control environment — the Group has an organisational structure with clearly defined lines of responsibility to achieve effectively its corporate objectives.

Risk management — executives have a clear ongoing mandate for identifying, evaluating and managing risks within their sphere of responsibility. Existing controls are documented and any practicable additional controls are implemented or scheduled to be implemented and reviewed on a regular basis.

Information systems — the Group has a comprehensive system of financial reporting. The annual budget and rolling three year plan of each store and head office function are approved by the executive directors, and the Board approves the overall Group budget and plan. Monthly actual results are reported against budget and the previous year, and any significant adverse variances are examined by the directors and appropriate remedial action identified. There is monthly cash flow reporting and revised profit forecasts for the year are prepared each month.

Control procedures — procedures are maintained by managers and executives on the intranet. In particular, there are clearly defined policies for capital expenditure and treasury management, including appropriate authorisation levels. Capital projects require investment appraisal and review. All large transactions require Board approval.

Monitoring — the processes used by the Board to review the effectiveness of the system of internal controls include the following:

- reviewing reports from management, internal and external audit of the system of internal controls and any significant control weaknesses;
- discussing with management the action to be taken on problem areas identified by Board members or in the internal/external audit reports; and
- regular updating of policies and procedures for such matters as delegation of authority, capital expenditure and treasury management. Throughout the Group, the directors ensure the placement of experienced and professional staff of the necessary calibre to discharge their delegated responsibilities.

The audit committee reports annually to the Board on risk analysis and recommendations are reviewed and approved by the Board. The Board has reviewed the effectiveness of the system of internal control for the period covered by these financial statements, and up to the date of approval of the financial statements. It believes that the current arrangements comprising a programme of internal financial control and business reviews provide appropriate internal audit coverage of the Group's activities.

Shareholders

The Company is ready, where practicable, to enter into a dialogue with institutional shareholders based on the mutual understanding of objectives. The Board uses the Annual General Meeting to communicate with private investors and encourages their participation. The chairman and chief executive carry out analysts' briefings during the year. Certain directors also have face to face meetings with major shareholders when appropriate. Such meetings allow directors to develop an understanding of shareholders' views. The chairmen of the audit committee, the remuneration committee and nomination committee are available to answer any questions from investors at the Annual General Meeting. Shareholders can access the Company website at www.beales.co.uk for corporate information.

Going concern

As disclosed in note 1, the Group and Company intends to meet its day to day working capital requirements through the use of a Senior Secured Credit Facility of up to £12m repayable in February 2016.

As noted in the Chief Executive's Statement on pages 6 to 9 all retailers face a very challenging and competitive trading environment and there are a number of risks and uncertainties facing the Group which are likely to impact its future development, performance and position. We are continually assessing our performance and managing these risks and uncertainties in considering the appropriate resources required for the Group. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 10 to 13. In addition, note 30 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, interest rate risk, market risk and liquidity risk.

On 1 February 2013 the Group set up a new loan facility with Burdale Financial Limited. The terms of the loan facility are for up to £12m Senior Secured Credit Facility. The new bank facilities include one financial covenant which requires the Company shall procure that trading cash flow in respect of each review period as set out in the facility agreement and shall not be less than the agreed amounts the Company and the Lender agree are calculated on the basis of financial projections. In addition there is condition that for a period of 14 days between 1 December and 31 January each year drawings do not exceed £2.5m. The Board is aware of the challenging and uncertain economic conditions and the risks and uncertainties facing the Group and has prepared forecast information for the 2012/13 and 2013/14 years. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility.

Based upon the forecasts and projections, coupled with the strategies set out in the Chairman's and Chief Executive's statements, the Board has a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. On this basis the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

For this reason, the financial statements continue to be prepared adopting the going concern basis (refer to note 1 of the financial statements for further detail). The Director's statement that the business is a going concern has been prepared in accordance with "Guidance on going concern and liquidity risk: guidance for Directors UK companies 2009".

Compliance with the June 2010 FRC Code

The directors consider that the Group has complied with the provisions of section 1 of the June 2010 FRC Code throughout the period except as set out below. The Group has not complied with clause B.6 of the June 2010 FRC Code in relation to performance evaluation; the Board considers that to comply fully with this clause is inappropriate for such a small quoted company. The Group did not comply with clause C3.1 between 30 October 2011 and 8 November 2011 whereby the Group chairman should not chair the audit committee. Given the chairman used to be an audit partner, the directors believe it was appropriate for him to chair the audit committee. With effect from 8 November 2011 the Group complied with clause C3.1 as William Tuffy was appointed chairman of the audit committee. The independence of the chairman and non-executive directors is subject to ongoing monitoring by the Board.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEALE PLC

We have audited the financial statements of Beale PLC for the 53 weeks ended 3 November 2012 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Statement of Comprehensive Income, the Group and Company Statement of Change in Equity, the Group and Company Cash Flow Statements and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 3 November 2012 and of the Group's loss for the 53 weeks then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement, contained within the Financial Review, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Darren Longley
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants
and Statutory Auditor
Southampton, United Kingdom
4 February 2013

CONSOLIDATED INCOME STATEMENT

For the 53 weeks ended 3 November 2012

	Notes	**53 weeks to 3 November 2012 £000**	*52 weeks to 29 October 2011 £000*
Gross sales*	3	**135,549**	*110,027*
Revenue – continuing operations	3	**74,609**	*61,969*
Cost of sales		**(36,833)**	*(30,158)*
Gross profit		**37,776**	*31,811*
Administrative expenses		**(40,712)**	*(35,643)*
Exceptional administration (expenses)/income	5	**(2,082)**	*4,800*
Total administration expenses		**(42,794)**	*(30,843)*
Operating loss before exceptional items	6	**(2,936)**	*(3,832)*
Operating (loss)/profit – continuing operations	6	**(5,018)**	*968*
Finance expense	8	**(733)**	*(426)*
Finance income	9	**1**	*1*
(Loss)/profit on ordinary activities before taxation		**(5,750)**	*543*
Taxation (charge)/credit	10	**(59)**	*58*
(Loss)/profit for the period from continuing operations attributable to equity members of the parent		**(5,809)**	*601*
Basic (loss)/earnings per share	11	**(28.3p)**	*2.93p*
Diluted (loss)/earnings per share	11	**(28.3p)**	*2.80p*

* Gross sales reflect revenue from concession sales and VAT.

The notes on pages 33 to 73 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 3 November 2012

	Notes	3 November 2012 £000	29 October 2011 £000
Non-current assets			
Goodwill	12	**892**	*892*
Property, plant and equipment	14	**25,204**	*26,586*
Financial assets	15	**16**	*16*
Derivative asset	30	**1,416**	*1,233*
		27,528	*28,727*
Current assets			
Inventories	17	**15,816**	*16,462*
Trade and other receivables due within one year	18	**5,191**	*5,610*
Trade and other receivables due after one year	18	**104**	*66*
Cash and cash equivalents		**454**	*738*
		21,565	*22,876*
Total assets		**49,093**	*51,603*
Current liabilities			
Trade and other payables	19	**(14,449)**	*(15,797)*
Provisions	19	**(271)**	*—*
Preference shares	20	**(307)**	*—*
Borrowings and overdraft	21	**(255)**	*(3,850)*
Tax liabilities		**(35)**	*(35)*
		(15,317)	*(19,682)*
Net current assets		**6,248**	*3,194*
Non-current liabilities			
Preference shares	20	**(6,213)**	*(6,147)*
Borrowings	21	**(9,025)**	*(1,750)*
Retirement benefit obligations	32	**(1,171)**	*(203)*
Lease incentives	22	**(3,790)**	*(2,736)*
Deferred tax	16	**(3,066)**	*(3,248)*
Obligations under finance leases	23	**(978)**	*(979)*
		(24,243)	*(15.063)*
Total liabilities		**(39,560)**	*(34,745)*
Net assets		**9,533**	*16,858*
Equity			
Share capital	25	**1,026**	*1,026*
Share premium account	27	**440**	*440*
Revaluation reserve	27	**9,082**	*9,010*
Capital redemption reserve	27	**54**	*54*
ESOP reserve	27	**(15)**	*(22)*
Retained earnings	27	**(1,054)**	*6,350*
Total equity		**9,533**	*16,858*

The notes on pages 33 to 73 form part of these financial statements.

These financial statements of Beale PLC, registered number 02755125, were approved and authorised for issue by the Board of directors on 4 February 2013 and signed on its behalf by:

Keith Edelman
Director

Tony Brown
Director

COMPANY BALANCE SHEET

As at 3 November 2012

	Notes	3 November 2012 £000	29 October 2011 £000
Non-current assets			
Property, plant and equipment	14	**13,811**	*14,001*
Financial assets	15	**5,568**	*5,614*
Derivative asset	30	**1,416**	*1,233*
Loan to subsidiary		**9,000**	*9,000*
		29,795	*29,848*
Current assets			
Trade and other receivables due within one year	18	**10,486**	*7,571*
Cash and cash equivalents		**–**	*43*
		10,486	*7,614*
Total assets		**40,281**	*37,462*
Current liabilities			
Trade and other payables	19	**(218)**	*(1,160)*
Borrowings	21	**(5)**	*(3,100)*
Preference shares	20	**(307)**	*–*
Tax liabilities		**(20)**	*(20)*
		(550)	*(4,280)*
Net current assets		**9,936**	*3,334*
Non-current liabilities			
Preference shares	20	**(6,213)**	*(6,147)*
Borrowings	21	**(7,900)**	*–*
Deferred tax	16	**(2,516)**	*(2,748)*
Pension guarantee	24	**(379)**	*(425)*
Obligations under finance leases	23	**(978)**	*(979)*
		(17,986)	*(10,299)*
Total liabilities		**(18,536)**	*(14,579)*
Net assets		**21,745**	*22,883*
Equity			
Share capital	25	**1,026**	*1,026*
Share premium account	27	**440**	*440*
Revaluation reserve	27	**7,295**	*7,222*
Capital redemption reserve	27	**54**	*54*
Retained earnings	27	**12,930**	*14,141*
Total equity		**21,745**	*22,883*

The notes on pages 33 to 73 form part of these financial statements.

These financial statements of Beale PLC, registered number 02755125, were approved and authorised for issue by the Board of directors on 4 February 2013 and signed on its behalf by:

Keith Edelman
Director

Tony Brown
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

	Notes	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Actuarial (loss)/gain on pension scheme	32	**(2,236)**	*743*
Revaluation gain	14	**—**	*1,046*
ARCS Loan	21	**500**	*—*
Tax on revaluation reserve	16	**183**	*(163)*
Tax on items taken directly to equity	16	**37**	*39*
Net income recognised directly in equity		**(1,516)**	*1,665*
(Loss)/profit for the period		**(5,809)**	*601*
Total comprehensive (loss)/income for the period		**(7,325)**	*2,266*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Opening equity	**16,858**	*14,592*
Total comprehensive (loss)/income for the period	**(7,325)**	*2,266*
Total movements in equity for the period	**(7,325)**	*2,266*
Closing equity	**9,533**	*16,858*

	Share capital £000	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	ESOP reserve £000	Retained earnings £000	Total £000
At 30 October 2010	*1,026*	*440*	*8,226*	*242*	*(27)*	*4,685*	*14,592*
Profit for year	*—*	*—*	*—*	*—*	*—*	*601*	*601*
Transfer	*—*	*—*	*—*	*(188)*	*—*	*188*	*—*
Revaluation increase land & buildings	*—*	*—*	*1,046*	*—*	*—*	*—*	*1,046*
Deferred tax change on revaluation reserve	*—*	*—*	*(163)*	*—*	*—*	*—*	*(163)*
Tax on comprehensive income	*—*	*—*	*—*	*—*	*—*	*39*	*39*
Transfer	*—*	*—*	*(99)*	*—*	*—*	*99*	*—*
Gain	*—*	*—*	*—*	*—*	*5*	*(5)*	*—*
Net actuarial gain	*—*	*—*	*—*	*—*	*—*	*743*	*743*
29 October 2011	*1,026*	*440*	*9,010*	*54*	*(22)*	*6,350*	*16,858*
Loss for year	**—**	**—**	**—**	**—**	**—**	**(5,809)**	**(5,809)**
ARCS Loan	**—**	**—**	**—**	**—**	**—**	**500**	**500**
Deferred tax change on revaluation reserve	**—**	**—**	**183**	**—**	**—**	**—**	**183**
Tax on comprehensive income	**—**	**—**	**—**	**—**	**—**	**37**	**37**
Transfer	**—**	**—**	**(111)**	**—**	**—**	**111**	**—**
Gain	**—**	**—**	**—**	**—**	**7**	**(7)**	**—**
Net actuarial loss	**—**	**—**	**—**	**—**	**—**	**(2,236)**	**(2,236)**
3 November 2012	**1,026**	**440**	**9,082**	**54**	**(15)**	**(1,054)**	**9,533**

The notes on pages 33 to 73 form part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

	Notes	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Revaluation net of deferred tax	14	—	*1,387*
Tax on revaluation reserve	16	**160**	*(181)*
Tax on items taken directly to equity	16	**52**	*39*
Net income recognised directly in equity		**212**	*1,245*
(Loss)/profit for the period		**(1,350)**	*1,067*
Total comprehensive (loss)/income for the period		**(1,138)**	*2,312*

COMPANY STATEMENT OF CHANGES IN EQUITY

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Opening equity	**22,883**	*20,571*
Total comprehensive (loss)/profit for the period	**(1,138)**	*2,312*
Total movements in equity for the period	**(1,138)**	*2,312*
Closing equity	**21,745**	*22,883*

	Share capital £000	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 30 October 2010	*1,026*	*440*	*6,091*	*54*	*12,960*	*20,571*
Profit for year	—	—	—	—	*1,067*	*1,067*
Revaluation	—	—	*1,387*	—	—	*1,387*
Deferred tax on revaluation reserve	—	—	*(181)*	—	—	*(181)*
Tax on comprehensive income	—	—	—	—	*39*	*39*
Transfer	—	—	*(75)*	—	*75*	—
29 October 2011	*1,026*	*440*	*7,222*	*54*	*14,141*	*22,883*
Loss for year	**—**	**—**	**—**	**—**	**(1,350)**	**(1,350)**
Deferred tax on revaluation reserve	**—**	**—**	**160**	**—**	**—**	**160**
Tax on comprehensive income	**—**	**—**	**—**	**—**	**52**	**52**
Transfer	**—**	**—**	**(87)**	**—**	**87**	**—**
3 November 2012	**1,026**	**440**	**7,295**	**54**	**12,930**	**21,745**

The notes on pages 33 to 73 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the 53 weeks ended 3 November 2012

	Notes	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Cash flows (used in)/generated from operating activities before interest and tax	28	**(2,493)**	*1,688*
Interest paid		**(360)**	*(260)*
Interest received		**1**	*1*
Net cash flow (used in)/generated from operating activities		**(2,852)**	*1,429*
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,611)**	*(2,267)*
Purchase of new business		**—**	*(4,390)*
Net cash used in investing activities		**(1,611)**	*(6,657)*
Cash flows from financing activities			
Preference shares issued		**—**	*8,500*
Net expense from obligations under finance leases		**(1)**	*—*
Increase/(decrease) in bank loans		**4,800**	*(5,500)*
(Decrease)/increase in ARCS Loan		**(625)**	*2,500*
Net cash generated from financing activities		**4,174**	*5,500*
Net (decrease)/increase in cash and cash equivalents in the period		**(289)**	*272*
Cash and cash equivalents at beginning of period		**738**	*466*
Cash and cash equivalents (including overdrafts) at end of period		**449**	*738*

The notes on pages 33 to 73 form part of these financial statements.

COMPANY CASH FLOW STATEMENT

For the 53 weeks ended 3 November 2012

	Notes	53 weeks to 3 November 2012 £000	52 weeks to 29 October 2011 £000
Cash flows used in operating activities before interest and tax	28	**(4,936)**	*(2,968)*
Interest paid		**(258)**	*(206)*
Interest received		**347**	*171*
Net cash flow used in operating activities		**(4,847)**	*(3,003)*
Cash flows from financing activities			
Preference shares issued		**–**	*8,500*
Net expense from obligations under finance leases		**(1)**	*–*
Increase/(decrease) in bank loans		**4,800**	*(5,500)*
Net cash generated from financing activities		**4,799**	*3,000*
Net decrease in cash and cash equivalents in the period		**(48)**	*(3)*
Cash and cash equivalents at beginning of period		**43**	*46*
Cash and cash equivalents (including overdrafts) at end of period		**(5)**	*43*

The notes on pages 33 to 73 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

General information

Beale PLC is a public Company incorporated in the United Kingdom under the Companies Act. The address of its registered office is included on the inside back cover. The principal activity of the Company and its subsidiaries is described in the Directors' Report.

In the year under review the following interpretations, amendments and new standards were effective and have been adopted:

- IAS 1 (amendment) Presentation of Financial Statement
- IAS 19 (revised) Employee Benefits
- IFRS 7 (amended) Financial Instruments
- IAS 12 (amended) Income Taxes

The adoption of these interpretations has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 1 (amended) Government Loans
- IFRS 7 (amended) Disclosures – Offsetting Financial Assets and Financial Liabilities
- Annual Improvements to IFRSs – (2009 – 2011) Cycle
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 10, IFRS 12 and IAS 27 Investment Entities (amended)
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investments in Associates and Joint Ventures
- IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures and some changes to presentation as required when the standards become effective. The impact of all other standards and interpretations not yet applied is not expected to be material.

Going concern

Details of the Group's operations together with its performance in the past year and the factors likely to affect its future development, performance and financial position are set out in the reports of the Chairman and the Chief Executive and in the Financial Review. The financial position of the Group, liquidity position and borrowing facilities are described in notes 21 and 30 to the financial statements. These also set out the Group's processes for managing its capital, financial risk and exposure to financial markets risk.

The Group and Company have met their day to day working capital requirements through the use of one principal bank loan of £8.5m, which was repayable on 31 October 2015, and an overdraft facility of £112,000 which is repayable on demand. The total facilities were secured on the freehold properties of the Group. The freehold properties, were independently revalued at £12.6m as at 29 October 2011. Additional working capital was provided by ARCS in the form of a £1.37m term loan *(2011: £2.5m)*.

As noted in the Chief Executive's Statement on pages 06 to 09 all retailers face a very challenging and competitive trading environment and there are a number of risks and uncertainties facing the Group which are likely to impact its future development, performance and position. We are continually assessing our performance and managing these risks and uncertainties in considering the appropriate resources required for the Group. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 10 to 13.

NOTES TO THE FINANCIAL STATEMENTS continued

1 Accounting policies continued

On 1 February 2013 the Group set up a new loan facility with Burdale Financial Limited. The terms of that loan facility are for up to £12m Senior Secured Credit Facilities. The facilities will be secured by first security interest in liens/charges upon certain present and future assets and undertakings. The new bank facilities include one financial covenant which requires the Company shall procure that trading cash flow in respect of each review period as set out in the facility agreement and shall not be less than the agreed amounts the Company and the Lender agree are calculated on the basis of financial projections. In addition there is condition that for a period of 14 days between 1 December and 31 January each year drawings do not exceed £2.5m. The Board is aware of the challenging and uncertain economic conditions and the risks and uncertainties facing the Group and has prepared forecast information for the 2012/13 and 2013/14 years. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility.

Based upon the forecasts and projections, coupled with the strategies set out in the Chairman's and Chief Executive's Statements, the Board has a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. On this basis the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

For this reason, the financial statements continue to be prepared adopting the going concern basis (refer to note 1 of the financial statements for further details). The Directors' Statement that the business is a going concern has been prepared in accordance with "Guidance on going concern and liquidity risk: guidance for Directors UK companies 2009".

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of major properties and long leaseholds. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary undertakings made up to the 53 weeks ended 3 November 2012 (52 weeks ended 29 October 2011), the Saturday closest to 31 October. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

In accordance with the concession granted under the Companies Act 2006, section 408, the income statement of Beale PLC (the Company) has not been presented separately in these financial statements. There is no material difference between the results disclosed and the results on an unmodified historical cost basis.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. In determining the fair value of the assets acquired the Group ensures it correctly identifies all assets and all of the liabilities assumed. Where after assessment the value paid is less than the fair value of the assets acquired this creates negative goodwill which is credited to profit.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

1 Accounting policies continued

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill

The assets and liabilities of subsidiary undertakings and businesses acquired are incorporated at their fair value at the date of acquisition. Goodwill is measured at cost, being the excess of the consideration paid for the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Provisional fair values are finalised within 12 months of the acquisition. An acquirer's initial calculation may indicate that the acquisition has resulted in a bargain purchase in that the net assets acquired exceed the purchase considerations. If after reassessment that the Group has identified all the assets acquired and all the liabilities assumed the Group's interest in the fair value of the acquiree's net assets exceeds the value paid, the excess negative goodwill is recognised immediately in the income statement. Goodwill arising on acquisition is held on the balance sheet at cost and is subject to annual impairment reviews. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Prior to the transition to IFRS, goodwill was amortised over 20 years. From 29 October 2004 goodwill has been frozen subject to impairment reviews.

Impairment of tangible and intangible assets including investments, excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets including investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS continued

1 Accounting policies continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revenue

Revenue represents the amount receivable by the Group arising from the supply of goods and services to customers net of VAT, discounts and estimated returns and includes the profit contribution earned on agency sales (including concession departments) and interest on customers' accounts. Revenue is recognised when goods are delivered and title has passed. Gross sales reflect revenue inclusive of concession sales and VAT.

Operating profit/loss

Operating profit/loss is the Group's profit/loss after charging and crediting all costs and revenues except interest payable, interest receivable and taxation.

Non GAAP measures

The Group has chosen to show operating profit before and after exceptionals owing to the significant non-cash credit in the prior year. Exceptionals are not accounting measures under IFRS. We do not regard these non-GAAP measures as a substitute for the measures calculated and presented in accordance with IFRS.

Loyalty scheme

In May 2012 the Group launched a loyalty card, whereby customers earn points when making purchases in the Group's department stores. The full value of points earned by customers from the launch date to the 3 November 2012 has been charged to the income statement during the year. The first issue of vouchers in relation to these points will be in Spring 2013.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessor. All other leases are classified as operating leases.

Finance leases

Assets funded through finance leases are capitalised as fixed assets and depreciated on a straight-line basis over the shorter of their useful economic life and the lease term.

Operating leases

Minimum lease payments, incorporating any pre-determined rental increase, are charged to income on a straight-line basis over the life of the lease.

Lease incentives and contributions

Lease incentives, rent free periods and capital contributions received from landlords are amortised to the income statement over the life of the lease on a straight-line basis.

Property, plant and equipment

All tangible assets are held at cost or, in the case of freehold and long leasehold property, at market value based on a previous revaluation, less accumulated depreciation and any recognised impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Impairment losses are determined by comparing the net book value of the store fixed assets with the future discounted cash flows of the store.

1 Accounting policies continued

Depreciation on revalued buildings is charged to income. On the subsequent sale of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Depreciation is provided for on the straight-line basis so that assets are written down to residual values over their expected useful life. Freehold land is not depreciated as its useful life is indefinite. Freehold buildings are depreciated at 2% per annum. The rate applied to computers and motor vehicles is 25%. The rate applied to fixtures and fittings and EPOS cash registers is 10% which reflects a change in accounting estimate. Prior to 30 October 2011 fixtures and fittings and EPOS cash registers were depreciated at 12.5%.

Costs incurred in entering a lease and of leasehold improvements are included in fixed assets and depreciated on a straight-line basis over the life of the lease. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Fixed asset investments

Quoted fixed asset investments are stated at market value and unquoted fixed asset investments are stated at cost, but provision is made if it is considered that there has been any impairment in value. For listed investments, market value is based on closing mid-market price on a recognised UK stock exchange.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price including any rebates and, where applicable, those costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price. Advertising and promotional stock is expensed at the time of purchase.

Financial instruments

Financial assets and financial liabilities relating to financial instruments are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Trade receivables

Trade receivables are measured at fair value. Appropriate allowance for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS continued

1 Accounting policies continued

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Preference shares

Preference shares are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Preference shares rank before ordinary shares on wind up and generally receive a fixed dividend.

Bank and other borrowings

Interest-bearing bank and other loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are measured at fair value.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, and is not discounted. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if:

(a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable company; or
   (ii) different taxable companies which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1 Accounting policies continued

Retirement benefit costs

The Group participates in the Beales pension scheme and the Denners pension scheme which provide members with benefits relating to salary and service. Payments are made into pension trusts, which are financially separate from the Group, in accordance with advice from consulting actuaries in relation to the final salary schemes.

(a) Final salary section

The current service cost, being the cost of benefits accrued and pension scheme expenses in the reporting period is recognised in operating expenses. Interest accrued on pension liabilities and the expected return on assets held by the scheme are also charged or credited within operating expenses in the income statement.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Actuarial gains and losses are recognised in full in the year in which they occur. They are recognised outside the consolidated income statement and presented in the statement of comprehensive income and expense. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of scheme assets at the previous year end date.

(b) Defined contribution section

The amount charged against profits in relation to the defined contribution section of the Beales pension scheme represents contributions payable to the scheme for the accounting period.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 1, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below:

Retirement benefits

Retirement benefits are accounted for under IAS 19 'Employee Benefits'. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value.

Because of changing market and economic conditions, the expenses and liabilities actually arising under the plans in the future may differ materially from the estimates made on the basis of these actuarial assumptions. The plan assets are partially comprised of equity and fixed-income instruments. Therefore, declining returns on equity markets and markets for fixed-income instruments could necessitate additional contributions to the plans in order to cover future pension obligations. Also, higher or lower withdrawal rates or longer or shorter life of participants may have an impact on the amount of pension income or expense recorded in the future.

The interest rate used to discount post-employment benefit obligations to present value is derived from the yields of senior, high-quality corporate bonds at the balance sheet date. These generally include AA-rated securities. The discount rate is based on the yield of a portfolio of bonds whose weighted residual maturities approximately correspond to the duration necessary to cover the entire benefit obligation.

Pension and other post-retirement benefits are inherently long term, and future experience may differ from the actuarial assumptions used to determine the net charge for 'pension and other post-retirement charges'. Note 32 to the consolidated financial statements describes the principal discount rate, earnings increase, and pension retirement benefit obligation assumptions that have been used to determine the pension and post-retirement charges in accordance with IAS 19. The calculation of any charge relating to 'retirement benefits' is clearly dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are determined by the directors and are based on prior experience, market conditions and the advice of scheme actuaries.

At 3 November 2012, the Group's net pension liability was £1.17m, compared with £0.2m as at 29 October 2011.

Further details of the accounting policy on retirement benefits are provided in note 32.

Impairment of investments and stores' property, plant and equipment and goodwill

Stores' property, plant and equipment and goodwill are reviewed for impairment on an annual basis, and whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Such circumstances or events could include: a pattern of losses involving the store asset; a decline in the market value for a particular store asset; and an adverse change in the business or market in which the store asset is involved. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining what cash flow is directly related to the potentially impaired asset, the useful life over which cash flows will occur and their amount and the asset's residual value, if any. Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or groups of assets involve the exercise of a significant amount of judgement.

Property valuation

Property valuations conform to international valuation standards and are based on recent market transactions on arm's length terms for similar properties. The estimate is susceptible to market conditions and hence increased uncertainty arises in periods where the market is less active and the general economic conditions more challenging, further details are provided in note 14.

Derivative

The valuation of the embedded derivative is valued by a third party based on the assumption that the Group can borrow at 5% *(2011: 4.0%)* over LIBOR without security. The estimate is subject to market conditions which affect the valuation.

2 Critical accounting judgements and key sources of estimation uncertainty continued

Business combination

A key area of judgement during the prior year was the business combination. The directors were required to determine fair values for the assets acquired, liabilities incurred or assumed, the consideration paid and financial instruments issued included the preference shares and the derivative. Details of the bases used to determine the fair values are set out in note 13. IFRS 3 permits adjustments to items recognised in the original accounting for a business combination, for a maximum of one year after the acquisition date, when new information about facts and circumstances existing at the acquisition date is obtained. The directors have reassessed the fair values attributed to the assets and liabilities of the 19 department stores acquired from ARCS on 22 May 2011 and have concluded based on current information no change is required to any of these fair values.

Provisions

Provision is made in respect of legal and other matters. Provisions are recognised when management can make a reliable estimate and are satisfied that the liability is probable. However, such liabilities depend on the actions of third parties and on the specific circumstances pertaining to each obligation, neither of which is fully controllable by the Group. On the 17 November 2012 the Group closed its store card facility. It has maintained a consistent method of bad debt provisioning as adopted in previous years. However, with the closure of the store card there is probably a higher degree of uncertainty than in previous years. During the year stock write offs were higher than anticipated, consequently there is a degree of uncertainty when determining stock provision. During the year restructuring provisions have been made in relation to the store card, the accounts department and Wallisdown warehouse. There is a degree of uncertainty as to the final outcome of such provisions.

Inventory valuation

Inventories are stated at the lower of cost and net realisable value, as set out in the accounting policy in note 1. Provisions against inventory reduce the value below cost and are therefore subject to the judgements of the directors. Changes in customer demand could give rise to future changes in the value of the inventory held.

3 Revenue

The entire Group's revenue is derived from retail sales made in the UK. Revenue includes the commission earned on sales made by concession outlets.

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Gross sales	**135,549**	*110,027*
VAT	**(22,207)**	*(17,579)*
Gross sales (exc. VAT)	**113,342**	*92,448*
Agency sales less commission	**(38,733)**	*(30,479)*
Revenue	**74,609**	*61,969*

Analysis of gross sales (excluding VAT) and revenue:

	53 weeks to 3 November 2012		*52 weeks to 29 October 2011*	
	Gross sales £000	**Revenue £000**	*Gross sales £000*	*Revenue £000*
Own bought sales	**60,893**	**60,893**	*51,734*	*51,734*
Concession sales	**52,081**	**13,348**	*40,334*	*9,855*
Interest on customer accounts	**368**	**368**	*380*	*380*
	113,342	**74,609**	*92,448*	*61,969*

NOTES TO THE FINANCIAL STATEMENTS continued

4 Segmental information

The Board have reviewed the requirements of IFRS 8 Segment Reporting. The individual department stores have similar economic characteristics, products and services, class of customer, method of service provision and regulatory environment. Consequently the directors consider the individual stores can be aggregated into one segment for financial reporting purposes.

5 Net exceptional (expense)/income

In the year the following net exceptional (expenditure)/income resulted:

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Negative goodwill credited directly to the income statement (note 13)	**—**	*6,626*
Exceptional cost associated with acquisition (professional fees)	**—**	*(1,492)*
Exceptional cost associated with integration of acquired stores	**—**	*(334)*
Fixed asset impairment	**(1,410)**	*—*
Exceptional store card closure and redundancy costs	**(501)**	*—*
Other exceptional costs	**(171)**	*—*
Total net exceptional (expense)/income	**(2,082)**	*4,800*

6 Operating profit

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Operating profit is arrived at after charging/(crediting) the following:		
Cost of inventories recognised as an expense	**36,833**	*30,158*
Depreciation of property, plant and equipment		
— owned assets	**1,482**	*1,734*
— finance lease	**101**	*85*
Exceptional item (note 5)	**2,082**	*(4,800)*
Rentals chargeable under operating leases		
— property	**6,037**	*5,042*
— plant & equipment	**293**	*206*
Staff costs (note 7)	**19,178**	*17,329*
Fees payable to the Group's auditor for the audit of the Group's annual accounts		
— statutory audit	**65**	*67*
— audit-related regulatory reporting	**7**	*8*
	72	*75*
Fees payable to the Group's auditor and their associates for other services to the Group		
— transaction services	**—**	*325*
— tax compliance services	**13**	*18*
— tax advisory services	**9**	*5*
	22	*348*
Total auditor's remuneration	**94**	*423*

The total auditor's remuneration incurred by the Company was £12,000 *(2011: £14,700)* for audit work and £8,250 *(2011: £6,400)* for tax and other work. The prior year transaction services fee in 2011 related to the Company.

7 Information regarding directors and employees

Details of directors' emoluments and beneficial interests are provided within the Remuneration Report on pages 74 to 78.

	2012	*2011*
The average number of persons (including directors) employed by the Group during the year was:		
Full time	**625**	*572*
Part time	**1,019**	*908*
	1,644	*1,480*

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Staff costs for the above:		
Wages and salaries	**17,806**	*15,921*
Social security costs	**930**	*931*
Pension costs — Current service cost (see note 32)	**207**	*230*
— Defined contribution (see note 32)	**228**	*237*
— Other pension contribution	**7**	*10*
	19,178	*17,329*

8 Finance expense

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Interest payable on bank loans and overdrafts	**(236)**	*(159)*
ARCS loan interest payable	**(101)**	*(53)*
Finance charge on preference shares	**(373)**	*(179)*
Finance lease charges	**(33)**	*(34)*
Other interest payable	**10**	*(1)*
Total interest payable	**(733)**	*(426)*

9 Finance income

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Interest receivable on customers' accounts and bank interest	**369**	*381*
Less interest on customers' accounts included in revenue	**(368)**	*(380)*
Total interest receivable	**1**	*1*

NOTES TO THE FINANCIAL STATEMENTS continued

10 Tax

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Current tax		
Current year	**–**	*–*
Adjustment in respect of prior years	**–**	*–*
	–	*–*
Deferred tax (note 16)		
Current year	**(60)**	*(60)*
Adjustment in respect of prior years	**119**	*2*
	59	*(58)*
Taxation on (loss)/profit for period	**59**	*(58)*

The tax credit for the period is different from the standard rate of corporation tax in the UK of 24.82% *(2011: 26.83%)*. The differences are explained below:

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
(Loss)/profit on ordinary activities before tax	**(5,750)**	*543*
(Loss)/profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 24.82% *(2011: 26.83%)*	**(1,427)**	*146*
Tax on (loss)/profit on ordinary activities		
Effects of:		
Non taxable income	**–**	*(547)*
Pension	**(293)**	*(412)*
Prior year deferred taxation	**119**	*2*
Non-qualifying depreciation	**125**	*162*
Other	**(161)**	*(119)*
Impact of deferred tax asset not recognised	**1,696**	*710*
Total tax charge/(credit)	**59**	*(58)*

10 Tax continued

In addition to the amount chargeable the following amounts relating to tax have been recognised in other comprehensive income.

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Current tax		
Deferred tax:		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of property	**(12)**	*312*
Rate change on revaluation reserve	**(171)**	*(149)*
Property	**10**	*17*
Rate change on property	**(47)**	*(48)*
Other	**—**	*(8)*
Total income tax recognised in other comprehensive income	**(220)**	*124*

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax to 24% effective 1 April 2012 and to 23% effective 1 April 2013. These rate reductions became substantively enacted in March 2012 and July 2012 respectively. The UK Government also proposed to further reduce the standard rate of UK corporation tax to 22% effective 1 April 2014, but this change has not been substantively enacted. For the 53 week period ended 3 November 2012, as the reduction in statutory rate by 2% has been substantively enacted, deferred tax has been recognised on the balance sheet at 23%. As at 3 November 2012 the Group had carried forward tax losses on which deferred tax was not recognised of £3,004,026 *(2011: £1,597,836).*

11 (Loss)/earnings per share

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*
Weighted average number of shares in issue for the purpose of basic earnings per share	**20,524,797**	*20,524,797*
Dilution — share reward schemes	**781,562**	*949,874*
Diluted weighted average number of shares in issue	**21,306,359**	*21,474,671*

	£000	*£000*
(Loss)/profit for basic and diluted earnings per share	**(5,809)**	*601*

	Pence	*Pence*
Basic (loss)/earnings per share	**(28.3)**	*2.93*
Basic loss per share before exceptional item	**(18.16)**	*(20.46)*
Diluted (loss)/earnings per share	**(28.3)**	*2.80*

No dividend was paid *(2011: nil per share)*.

NOTES TO THE FINANCIAL STATEMENTS continued

12 Goodwill

	£000
Carrying amount at 30 October 2010	*892*
Carrying amount at 29 October 2011	*892*
Carrying amount at 3 November 2012	**892**

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired. The Group prepares discounted cash flows derived from the most recent financial estimates and projections which are approved by the Board.

The carrying amounts of goodwill allocated to the cash-generating units are as follows:

	2012 £000	*2011 £000*
Kendal	**74**	*74*
Tonbridge	**284**	*284*
Worthing	**364**	*364*
Yeovil	**170**	*170*
	892	*892*

The goodwill recoverable amount is based on the value in use and the key assumptions relate to the estimation of expected future cash flows of each of the stores and these are set out for each store in the corporate plan. Revenue at each store is the key assumption to which the recoverable amount is most sensitive.

The assumptions used in determining the estimated future cash flows are based on a mixture of past experience, the effect of past refurbishments and other department stores' performance.

For the purposes of the impairment review, revenue decreases/increases were projected for the three years ended October 2015 varying between -1.4% and 5.7% growth per annum for each of the department stores. A discount rate of 10% *(2011: 10%)* was applied to the cash flow projections. The Board has conducted a sensitivity analysis on the impairment test and does not perceive that a reasonable change in key assumptions would cause the recoverable amount to be less than its carrying amount. An annual reduction in forecast revenues for the three years ended October 2015 by approximately 5% per annum would result in the carrying value of goodwill being reduced to approximately its recoverable amount.

13 Business combination

In the previous financial year the Group acquired the trade, certain fixed assets, inventory, cash, other debtors and other creditors of 19 department stores purchased from ARCS for a cash consideration of £6.69m. The fair value of consideration provided, net of incentives of £5.64m was £1.05m. The primary reason for acquiring the 19 department stores from ARCS was to give the business critical mass that would help it be more profitable. Negative goodwill of £6.63m was credited directly to the income statement as an exceptional item (see note 5).

The Board carried out a fair value exercise in relation to all the assets and liabilities acquired from ARCS and the fair value of the consideration paid. The initial assessment indicated that a 'bargain purchase' had occurred. The Board then reassessed the fair values on 29 October 2011 and 22 May 2012 and this reassessment confirmed the fair values of the assets and liabilities acquired and the net consideration paid.

	Provisional fair value of assets acquired £000	*Provisional fair value of assets acquired £000*
Inventories	–	*6,798*
Fixtures, fittings and equipment	–	*996*
Cash	–	*180*
Other debtors/creditors	–	*(63)*
Deferred tax on fixtures and fittings	–	*(235)*
	–	*7,676*
Net consideration paid (see below)	–	*(1,050)*
Total negative goodwill arising	–	*6,626*

Net consideration paid	**£000**	*£000*
Cash paid	–	*6,690*
Incentives received	–	*(2,300)*
Fair value adjustment to preference shares, recognition of embedded derivative and tax thereon	–	*(3,340)*
Net consideration paid	–	*1,050*

NOTES TO THE FINANCIAL STATEMENTS continued

14 Property, plant and equipment

Group	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Cost or valuation					
At 31 October 2010	*12,981*	*5,000*	*1,320*	*28,803*	*48,104*
Additions	—	—	*146*	*2,121*	*2,267*
Arising on acquisition	—	—	—	*996*	*996*
Revaluation	*(361)*	*750*	—	—	*389*
At 29 October 2011	*12,620*	*5,750*	*1,466*	*31,920*	*51,756*
Additions	—	—	*15*	*1,596*	*1,611*
At 3 November 2012	**12,620**	**5,750**	**1,481**	**33,516**	**53,367**
Accumulated depreciation and impairment:					
At 31 October 2010	*270*	*171*	*717*	*22,850*	*24,008*
Depreciation	*131*	*85*	*59*	*1,544*	*1,819*
Revaluation	*(401)*	*(256)*	—	—	*(657)*
At 29 October 2011	—	—	*776*	*24,394*	*25,170*
Depreciation	*122*	*101*	*64*	*1,296*	*1,583*
Impairment	—	—	*146*	*1,264*	*1,410*
At 3 November 2012	**122**	**101**	**986**	**26,954**	**28,163**
Net book value at 3 November 2012	**12,498**	**5,649**	**495**	**6,562**	**25,204**
Net book value at 29 October 2011	*12,620*	*5,750*	*690*	*7,526*	*26,586*
Net book value at 30 October 2010	*12,711*	*4,829*	*603*	*5,953*	*24,096*

The carrying amount of the Group's long leasehold of £5,649,000 *(2011: £5,750,000)* is in respect of an asset held under a finance lease. Freeholds having a carrying amount of approximately £12.5m *(2011: £12.6m)* secure banking facilities granted to the Group.

In the prior year land, buildings and long leaseholds were revalued at 29 October 2011 by Colliers International UK PLC, chartered surveyors, on the basis of market value. The valuation conformed to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The future movement in the valuation is susceptible to market conditions and hence increased uncertainty arises in periods where the market is less active and general economic conditions more challenging. The directors considered the total return shop movement property index over the past year and concluded the property valuations as at 3 November 2012 were reasonable.

Following an impairment review carried out by the directors a charge of £1.4m *(2011: Nil)* has been included in exceptional items where the carrying value of certain individual store fixed assets exceed the future value expected to be derived from holding the assets.

14 Property, plant and equipment continued

If fixed assets had not been revalued, they would have been included at the following historical cost amounts:

Group	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Net book value					
3 November 2012	**7,061**	**81**	**495**	**6,562**	**14,199**
29 October 2011	*7,143*	*82*	*690*	*7,526*	*15,441*
30 October 2010	*7,221*	*84*	*603*	*5,953*	*13,861*

Company	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Cost or valuation:					
At 31 October 2010	*8,148*	*5,000*	*3*	*851*	*14,002*
Revaluation	*102*	*750*	*—*	*—*	*852*
At 29 October 2011	*8,250*	*5,750*	*3*	*851*	*14,854*
At 3 November 2012	**8,250**	**5,750**	**3**	**851**	**14,854**
Accumulated depreciation and impairment:					
At 31 October 2010	*185*	*171*	*1*	*851*	*1,208*
Charge for year	*94*	*85*	*1*	*—*	*180*
Revaluation	*(279)*	*(256)*	*—*	*—*	*(535)*
At 29 October 2011	*—*	*—*	*2*	*851*	*853*
Charge for year	*88*	*102*	*—*	*—*	*190*
At 3 November 2012	**88**	**102**	**2**	**851**	**1,043**
Net book value at 3 November 2012	**8,162**	**5,648**	**1**	**—**	**13,811**
Net book value at 29 October 2011	*8,250*	*5,750*	*1*	*—*	*14,001*
Net book value at 30 October 2010	*7,963*	*4,829*	*2*	*—*	*12,794*

The carrying amount of the Company's long leasehold of £5,648,000 *(2011: £5,750,000)* is in respect of an asset held under a finance lease.

NOTES TO THE FINANCIAL STATEMENTS continued

14 Property, plant and equipment continued

Freeholds having a carrying amount of approximately £8,162,000 *(2011: £8.2m)* secure banking facilities granted to the Company.

In the prior year land, buildings and long leaseholds, were revalued at 29 October 2011 by Collier International UK PLC, chartered surveyors, on the basis of market value. The valuation conformed to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The future movement in the valuation is susceptible to market conditions and hence increased uncertainty arises in periods where the market is less active and general economic conditions more challenging. The directors considered the total return shop movement property index over the past year and concluded the property valuation as at 3 November 2012 were reasonable. If fixed assets had not been revalued, they would have been included at the following historical cost amounts:

Company	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Net book value					
3 November 2012	**4,179**	**671**	**1**	**—**	**4,851**
29 October 2011	*4,246*	*683*	*1*	*—*	*4,930*
30 October 2010	*4,310*	*692*	*2*	*—*	*5,004*

The Company long leasehold buildings is higher than the Group figure because the long leasehold buildings were transferred in specie from JE Beale plc to Beale PLC in satisfaction of a dividend in 1994.

	Group 2012 £000	Group *2011 £000*	Company 2012 £000	Company *2011 £000*
Capital commitments				
Capital expenditure contracted for but not provided for in the financial statements	**11**	*300*	**—**	*—*

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets including investments to determine whether there is any indication that those assets have suffered an impairment loss.

15 Financial assets

	Group		Company	
	2012 £000	*2011 £000*	**2012 £000**	*2011 £000*
Shares in subsidiaries at cost:				
JE Beale plc	**—**	*—*	**1,030**	*1,030*
Denners Limited	**—**	*—*	**4,159**	*4,159*
Pension guarantee asset (see note 24)	**—**	*—*	**379**	*425*
Available for sale:				
Held to maturity investments carried at cost:	**—**	*—*	**—**	*—*
Unlisted investment — Debenture	**16**	*16*	**—**	*—*
	16	*16*	**5,568**	*5,614*
Derivative	**1,416**	*1,233*	**1,416**	*1,233*
	1,432	*1,249*	**6,984**	*6,847*

On 3 July 2009 Beale PLC issued a pension guarantee, which was fair valued at £600,000 and was being amortised over its useful economic life of 8 years. On 28 June 2012 it was agreed to extend the useful economic life to 14 years following agreement to extend the pension deficit recovery period to 31 August 2023.

The unlisted investment relates to a debenture in the Associated Independent Stores Limited. The debenture returns interest at 5% per annum which is payable annually and matured on 31 December 2012 at a value of £36,965.

At 3 November 2012 and 29 October 2011, the Company held, directly, the whole of the issued ordinary share capital in JE Beale plc and Denners Limited, both of which are incorporated in England and Wales. Denners Limited is dormant.

An embedded derivative of £1.42m *(2011: £1.23m)* is shown in relation to the prepayment option arising on the 8,500,000 preference shares (note 30). The value of the derivative has been affected by both the increase in the cost of Group borrowing from 4% to 5% over LIBOR together with repayment of 306,612 £1 preference shares following the closure of the Skipton store.

NOTES TO THE FINANCIAL STATEMENTS continued

16 Deferred tax

The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group		Company	
	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*	**53 weeks to 3 November 2012 £000**	*52 weeks to 29 October 2011 £000*
Deferred tax liabilities	**(3,066)**	*(3,248)*	**(2,516)**	*(2,748)*

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting period.

Group Deferred tax liabilities	Rolled over gains £000	Accelerated tax depreciation £000	Revaluation gains £000	Property £000	Other £000	Total £000
As at 29 October 2011	*(267)*	*(128)*	*(2,138)*	*(826)*	*111*	*(3,248)*
Charge to operating expense	—	—	—	*39*	*(18)*	*21*
Credit/(charge) to income	—	*(119)*	*30*	*30*	—	*(59)*
(Charge)/credit to equity	*22*	*10*	*183*	*37*	*(32)*	*220*
As at 3 November 2012	**(245)**	**(237)**	**(1,925)**	**(720)**	**61**	**(3,066)**

Company Deferred tax liabilities	Accelerated tax depreciation £000	Revaluation gains £000	Property £000	Other £000	Total £000
As at 29 October 2011	*1*	*(1,850)*	*(591)*	*(308)*	*(2,748)*
Charge to operating expenses	—	—	—	*(18)*	*(18)*
Credit to income	—	*24*	*14*	—	*38*
Credit to equity	—	*160*	*52*	—	*212*
As at 3 November 2012	**1**	**(1,666)**	**(525)**	**(326)**	**(2,516)**

17 Inventories

	Group		Company	
	2012 £000	*2011 £000*	**2012 £000**	*2011 £000*
Finished goods for resale	**15,816**	*16,462*	**—**	—

Finished goods for resale are stated after deducting a stock provision of £935,000 *(2011: £935,000)*. An amount of £Nil *(2011: £10,000 debited)* was debited to cost of sales as a result of increasing *(2011: decreasing)* the stock provision. In 2011 a stock provision of £453,000 was recorded against the finished goods acquired as part of the acquisition of 19 department stores. All finished goods for resale are disclosed at the lower of cost and net realisable value.

18 Trade and other receivables

	Group		Company	
	2012 £000	*2011 £000*	**2012 £000**	*2011 £000*
Amounts due within one year				
Trade receivables	**2,260**	*3,037*	**–**	*–*
Allowance for doubtful debts	**(72)**	*(69)*	**–**	*–*
	2,188	*2,968*	**–**	*–*
Amounts owed by subsidiary undertakings	**–**	*–*	**10,473**	*7,500*
Prepayments and accrued income	**3,003**	*2,642*	**13**	*71*
	5,191	*5,610*	**10,486**	*7,571*
Amounts due after one year				
Trade receivables	**104**	*66*	**–**	*–*
Amounts owed by subsidiary undertakings	**–**	*–*	**–**	*–*
	104	*66*	**–**	*–*
Total receivables	**5,295**	*5,676*	**10,486**	*7,571*

Trade receivables

Trade receivables consist of store card balances and interest-free credit balances.

Due to the nature of the business, credit risk is not considered to be significant and anticipated losses are included in the provision above. During the year £25,000 *(2011: £20,000)* of bad debts were written off.

Store card holders are required to pay 5% of the account balance, or £5 if greater, on a monthly basis. Interest is charged at 24.9% APR and 22.5% APR (if payment is by direct debit). Before accepting most new customers the Group uses an external company to assist in determining a customer's credit quality. The Group closed its in house credit business on 17 November 2012. The store card and interest free balances will continue to be collected by the customer accounts department over the coming months. We will continue to issue statements to customers on a monthly basis as part of this collection process.

Ageing of the total balance past due date but not impaired receivables

	Group		Company	
	2012 £000	*2011 £000*	**2012 £000**	*2011 £000*
60 – 90 days	**13**	*12*	**–**	*–*
90+ days	**–**	*–*	**–**	*–*
	13	*12*	**–**	*–*

NOTES TO THE FINANCIAL STATEMENTS continued

18 Trade and other receivables continued

Movement in allowance for doubtful debts

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Balance at beginning of period	69	68	—	—
Additional provision made	53	50	—	—
Amount recovered during the year	(28)	(30)	—	—
Impairment losses recognised	(25)	(20)	—	—
Increase/(decrease) in provision	3	1	—	—
Balance at end of period	72	69	—	—

In determining the allowance for doubtful debt, the Group treats the total balance of all accounts that are more than two months in arrears as a doubtful debt. It also treats 70% of all balances which are up to two months in arrears as a doubtful debt. The credit risk is limited due to the customer base being homogenous in nature. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of the total balance of impaired receivables

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
60 – 90 days	28	27	—	—
90 –120 days	10	6	—	—
120+ days	34	36	—	—
	72	69	—	—

19 Trade and other payables

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
a) Amounts falling due within one year				
Trade payables	8,168	8,259	—	—
Amount owed to subsidiaries	—	—	—	852
Other taxation and social security	763	726	—	—
Accruals and deferred income	5,518	6,812	218	308
	14,449	15,797	218	1,160

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
b) Provision				
Restructuring cost	271	—	—	—
Current provision	271	—	—	—
Non-current provision	—	—	—	—
	271	—	—	—

The fair values of the liabilities above are considered to approximate to the above values. The Group has financial risk management policies in place to ensure that all payables are paid within the credit period as stated in the Directors' Report.

20 Preference shares

	Group		Company	
	2012 £000	*2011 £000*	**2012 £000**	*2011 £000*
Redeemable within one year	**307**	–	**307**	–
Redeemable after one year	**6,213**	*6,147*	**6,213**	*6,147*
Preference shares	**6,520**	*6,147*	**6,520**	*6,147*

At the EGM on 17 May 2011 the shareholders approved the issue of 8,500,000 new redeemable preference shares of £1 each in capital of the Company to ARCS. The preference shares will not carry any rights to vote unless the business of the meeting includes the consideration of a resolution to wind up the Company or a resolution is proposed that would adversely vary the special rights attaching to the preference shares, in which case the holder(s) of the preference shares will be entitled to vote on that resolution only. In that event, the preference shares will have one vote per share.

The preference shares were initially recorded at their estimated initial fair value of £5.97m. The initial value was established by an independent third party valuer, based on assumptions provided by management including an estimate of the Group's credit spread and based on the interest and cash flows arising in relation to the preference shares and the fact that no dividend will accrue on the preference shares until five years from their date of issue. Subsequently, the preference shares are accounted for at amortised cost. Furthermore the preference shares can be repaid at any time without penalty. The terms of the preference shares are such that an embedded derivative is recognised, details of which are included in note 30.

The fair values of other financial assets and financial liabilities (excluding derivative instrument) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Going forward the preference shares are being accounted for on an amortised cost basis. However, the redemption of 306,612 £1 preference shares on 7 December 2012 changed the cash flows in the model. The early redemption resulted in the preference liability decreasing by £78,000. On the amortised cost basis they are valued at £6.52m at 3 November 2012. The effective interest rate arising in 2012 is: 7.11% *(2011: 7.11%)*.

After the third anniversary of completion, the preference shares will be freely transferable to a maximum of five transferees in multiples of at least £500,000.

No dividend will accrue on the preference shares for a period of five years from their date of issue. Thereafter, a preferential dividend of 8% per annum will initially be payable on each of the preference shares for a period of 48 months, increasing to 9% per annum thereafter.

On a return of capital on a winding up of the Company, or otherwise, preference shareholders will take priority over ordinary shareholders (other than on conversion, redemption or purchase of shares).

Subject to the 2006 Act, the Company has the option to redeem, at nominal value, any of the preference shares at any time. This redemption option gives rise to an embedded derivative asset which is recognised at fair value on the balance sheet. The Company is required to redeem any such shares that have not been converted half-yearly in two equal instalments of £500,000 payable on 30 November and 31 May in each relevant financial year, the first such redemption to be made on 30 November 2016 will only be £193,388 as 306,612 £1 preference shares were redeemed on 7 December 2012.

NOTES TO THE FINANCIAL STATEMENTS continued

20 Preference shares continued

In addition, the preference shares must be immediately redeemed on a change of control of the Company or on a sale of all, or substantially all, of the assets of the enlarged Group. Furthermore, should the Group cease trading and fully close down and cease to operate any of the stores acquired from ARCS on 22 May 2011, then an amount of preference shares equivalent to the value of the stock relating to that store as at 22 May 2011 will be redeemed. The impact on the balance sheet value of the preference shares is discussed above and in the embedded derivative in note 30.

Under certain circumstances such as a failure to redeem preference shares, pay a dividend etc, preference shareholders have a right to convert their shares into fully paid ordinary shares consisting of not more than 9.99 percent of issued ordinary share capital. The preference shares are treated as a liability in the financial statements due to their terms and conditions, including the fact that because the number and value of shares at such a conversion is not fixed in advance.

21 Borrowings

	Group		Company	
	2012 £000	*2011 £000*	**2012 £000**	*2011 £000*
Borrowings				
ARCS loan	**1,375**	*2,500*	**—**	*—*
Bank overdrafts	**5**	*—*	**5**	*—*
Bank loans	**7,900**	*3,100*	**7,900**	*3,100*
	9,280	*5,600*	**7,905**	*3,100*
The borrowings are repayable as follows:				
On demand or within one year	**255**	*3,850*	**5**	*3,100*
In the second year	**250**	*500*	**—**	*—*
In the third to the fifth year	**8,775**	*1,250*	**7,900**	*—*
Total	**9,280**	*5,600*	**7,905**	*3,100*
Less amount due for settlement within 12 months	**(255)**	*(3,850)*	**(5)**	*(3,100)*
Amount due for settlement after 12 months	**9,025**	*1,750*	**7,900**	*—*

Group bank borrowings

(a) The Group had banking facilities consisting of a £112,000 overdraft facility which was repayable on demand and a £8.5m revolving loan facility which, following a negotiated extension, has an expiry date of 31 October 2015. Over the gradual term of the loan the size of the facility falls to £3m by 31 October 2015. The facilities were secured over the Group's freehold interests. The bank facilities contained a number of key covenants, the covenant with the least headroom being earnings before interest, tax, depreciation and amortisation which is measured every 6 months. The loan interest on the facilities was 3% above the LIBOR rate up to 28 June 2012 increasing from 29 June 2012 to 5% above LIBOR. The rate falls over the life of the facility reducing to 3% by June 2014.

(b) Bank overdrafts were repayable on demand. Overdrafts of £5,350 *(2011: nil)* had been secured by a charge over the Group's freeholds. The average effective interest rate on bank overdrafts approximates 4.29% *(2011: 3.59%)* per annum and is determined based on 3% over LIBOR from 30 October 2011 to 28 June 2012 and 5% over LIBOR from 29 June 2012 to 3 November 2012.

(c) As at 3 November 2012 the Group had drawn down £7.9m *(2011: £3.1m)* under its loan facilities. The loan facility was taken out on 6 September 2010. In June 2012 this facility was renewed and extended to 31 October 2015. The Group draws down or pays back in £100,000 instalments depending on monthly requirements. Based on facilities in place as at 3 November 2012 the Group had available £1,054,000 *(2011: £6,638,000)* of undrawn committed borrowing facilities, including credit balances. As noted in the Financial Review the Group agreed a new secured loan with Burdale Financial Limited on 1 February 2013.

21 Borrowings continued

ARCS term loan agreement

Under the terms of the Term Loan Agreement with ARCS, a loan facility of £2.5m was provided to JE Beale plc and was fully drawn down by it on completion of the ARCS transaction on 22 May 2011. JE Beale plc is only permitted to use the proceeds of the term loan to help it finance the consideration payable to ARCS under the acquisition agreement and for general working capital purposes. The principal amount owing on the ARCS term loan was repayable over a period of five years in instalments of £250,000 made at six monthly intervals commencing on 31 October 2011.

As part of the Group refinancing in June 2012 ARCS agreed to waive £500,000 of the loan and reduced the six monthly instalments to £125,000. Under IFRS the write off of £500,000 on the ARCS loan is accounted for through the consolidated statement of Comprehensive (Loss)/Income. This is because ARCS is treated as an equity holder as under certain circumstances the ARCS preference shares are convertible into up to 10% of the ordinary shares in issue. Further conditions are attached which could increase the level of instalment. JE Beale plc will be permitted to repay earlier either in full or in an amount of at least (and in integral multiples of) £250,000 together with accrued interest if it so elects. There will be no penalty for early repayment of the term loan and, to the extent that JE Beale plc makes any such prepayment, its obligations to make the next successive repayment(s) owing will be deemed satisfied to the extent necessary up to (but not exceeding) the relevant prepayment amount.

Interest will be charged quarterly in arrears with effect from completion at the rate of 4% per annum over the applicable LIBOR rate increasing to 6% per annum over LIBOR in the event of a default that is not remedied within 12 months. The directors view 4% over LIBOR as being market rate, based on the terms of this loan. The average effective rate of interest on the ARCS loan during the year was approximately 4.95% *(2011: 4.83%)* per annum.

22 Lease incentives

	Group		Company	
	2012 £000	*2011 £000*	**2012 £000**	*2011 £000*
Lease incentives	**3,790**	*2,736*	**–**	*–*

The above represent lease incentives, rent free periods and capital contributions which have been received from landlords and are amortised to the income statement over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS continued

23 Obligations under finance leases

Group and Company Amounts payable under finance lease	Minimum lease payments 2012 £000	Interest 2012 £000	Present value of minimum lease payments 2012 £000
Due within one year	**34**	**(33)**	**1**
In the second to fifth year inclusive	**136**	**(125)**	**11**
After five years	**1,739**	**(773)**	**966**
	1,909	**(931)**	**978**

Amounts payable under finance lease	*Minimum lease payments 2011 £000*	*Interest 2011 £000*	*Present value of minimum lease payments 2011 £000*
Due within one year	*34*	*(34)*	*–*
In the second to fifth year inclusive	*136*	*(127)*	*9*
After five years	*1,774*	*(804)*	*970*
	1,944	*(965)*	*979*

The above finance lease relates to the Poole store which is on a 99 year lease from 1968. The average effective borrowing rate on the lease at inception in 1968 was 8.5%. All the lease obligations are denominated in sterling. The fair value of the Group obligations approximates to their carrying value.

24 Pension scheme guarantee

	Group		Company	
	2012 £000	*2011 £000*	**2012 £000**	*2011 £000*
Pension scheme guarantee	**–**	*–*	**379**	*425*

On 3 July 2009 Beale PLC signed a guarantee to the Beale Pension Trustees up to a maximum of £6m in the event of default by JE Beale plc. The directors consider the likelihood of such default to be remote, and accordingly assessed the fair value of this guarantee at the date of inception to be £600,000. This amount will be amortised over 8 years representing the recovery period as set out in the triennial valuation as at October 2007. On 28 June 2012 it was agreed with effect from 1 June 2012 to extend the recovery period to 31 August 2023. This resulted in the guarantee being amortised over 14 years.

25 Share capital

	2012		*2011*	
	Number	**£000**	*Number*	*£000*
Issued and fully paid				
Ordinary shares of 5p each	**20,524,797**	**1,026**	*20,524,797*	*1,026*

26 Performance share plan

The Company has a Performance Share Plan ("PSP") which has been accounted for in accordance with the fair value recognition provisions of IFRS 2, Share-based Payments.

The PSP, which was approved by shareholders at the EGM on 17 May 2011, was introduced as the Company's primary long-term incentive plan. The Performance Share Plan gives executive directors and other executives a conditional right to acquire shares in Beale PLC. Under the PSP, awards are made to executive directors and selected other executives on the following basis:

The maximum award level is 150% of base salary per annum although awards up to 200% of base salary may be granted to an individual in exceptional circumstances (e.g. recruitment or retention).

For the awards granted to the executive directors and senior executives; the performance condition that will determine the vesting of awards will be based on absolute "EPS". EPS is the earnings per share of the Company calculated on such basis as specified by the remuneration committee. The performance condition applying to the awards granted during the year ended 29 October 2011 allows 25% of an award to vest for EPS in the 2013/14 financial year of 4.25 pence, increasing pro-rata to 100% vesting of an award for EPS in the 2013/14 financial year of 9.25 pence. On change of control, awards vest on a pro-rata basis subject to achievement of performance conditions.

Performance conditions were determined by the remuneration committee. In relation to awards granted during the year ended 29 October 2011 the remuneration committee approved that additional cash or shares be awarded at the end of the performance period equal to value of dividends paid over the vesting period. It is currently intended that new issued shares are used to satisfy awards.

The table below summarises information about outstanding awards:

	2012
Outstanding awards at 29 October 2011	**949,874**
Granted during the period	**–**
Vested during the period	**–**
Expired during the period	**–**
Forfeited during the period	**(168,312)**
Outstanding awards at 3 November 2012	**781,562**

The fair value of awards granted in the period has been calculated based on the share price at the date of grant since participants are entitled to dividend equivalent during the vesting period.

The weighted average fair value of share awards granted during the year ended 3 November 2012 was nil pence per award *(2011: 34.22 pence)*.

The total charge relating to employee share-based payments for the period was calculated based on the fair values of the awards multiplied by number of shares under awards and then spread over the vesting period with an adjustment for the likelihood of leavers and the achievement of performance conditions. The share-based payments credit in the year ended 3 November 2012 amounted to (£25,846) *(2011: charge £25,846)* on the basis that the Board do not believe the performance conditions will be achieved.

NOTES TO THE FINANCIAL STATEMENTS continued

27 Reserves

For details on the movement of reserves see the Consolidated Statement of Changes in Equity.

Share premium account

The share premium account represents the excess over nominal value paid for equity.

Revaluation reserve

The revaluation reserve represents the excess of fixed asset valuation over cost. The revaluation reserve is shown net of deferred tax. The Group freeholds and long leasehold were revalued at 29 October 2011.

Capital redemption reserve

The capital redemption reserve results from a previous buyback of shares.

The transfer in 2011 of the £188,000 from the capital redemption reserve to retained earnings relates to 1993 when Beale PLC's offer to acquire JE Beale plc became unconditional and the entire share capital of JE Beale plc was acquired in a one for one share exchange. In 1993 the Group incorrectly treated the £188,000 as part of the capital redemption reserve when it should have been treated as part of retained earnings.

Retained earnings

The retained earnings represents the Group's accumulated undistributed earnings.

Reserves

All reserves of the Group relate to equity interests. Those reserves of the Company that may not be distributed under section 831 of the Companies Act 2006 comprise the share premium account, the capital redemption reserve, the revaluation reserve and ESOP reserve. The transfer from the revaluation reserve to the retained earnings represents the difference between the depreciation charge for the year based on revalued amounts and the depreciation charge for the year based on historical cost. The Company made a loss of £1,349,969 *(2011: £1,067,700 loss)*.

ESOP reserve

The Company operated a share option scheme up to year end October 2005 for Allan Allkins (who resigned on 31 May 2008). The share options were subject to performance related conditions set by the remuneration committee, which were not met. The trustees of the Employee Share Trust purchased the Company's ordinary shares in the open market under a facility guaranteed by the Company. The Company also has an obligation to make contributions to the Employee Share Trust to enable it to meet its financing costs. Rights to dividends on shares held by the plan have not been waived by the trustees. The number and market value of ordinary 5p shares held by the Employee Share Trust at 3 November 2012 was 76,752 *(2011: 76,752)* and £14,966 (*2011: £21,874)* respectively.

28 Reconciliation of operating (loss)/profit to net cash flow from operating activities

	Group		Company	
	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*	**53 weeks to 3 November 2012 £000**	*52 weeks to 29 October 2011 £000*
Operating (loss)/profit	**(5,018)**	*968*	**(1,099)**	*1,222*
Adjustments for:				
Cash disbursements of pension obligations (net of charge included within the income statement)	**(1,268)**	*(1,536)*	**—**	*—*
Negative goodwill	**—**	*(6,626)*	**—**	*(3,340)*
Fixed asset impairment	**1,410**	*—*	**—**	*—*
Depreciation	**1,583**	*1,819*	**190**	*180*
Fair value movement of derivative	**(183)**	*(155)*	**(183)**	*(155)*
Decrease/(increase) in inventories	**646**	*(169)*	**—**	*—*
Decrease/(increase) in trade and other receivables	**381**	*(1,224)*	**(2,915)**	*(1,838)*
(Decrease)/increase in trade and other payables	**(44)**	*8,611*	**(929)**	*963*
Cash (utilised in)/generated from operations	**(2,493)**	*1,688*	**(4,936)**	*(2,968)*

29 Analysis of net debt

Group	*29 October 2011 £000*	**Cash flow £000**	**Non-cash item £000**	**3 November 2012 £000**
Cash at bank and in hand	*738*	**(284)**	**—**	**454**
Overdraft	*—*	**(5)**	**—**	**(5)**
	738	**(289)**	**—**	**449**
Debt due within one year	*(3,850)*	**3,225**	**68**	**(557)**
Debt due after one year**	*(7,897)*	**(7,400)**	**59**	**(15,238)**
	(11,009)	**(4,464)**	**127**	**(15,346)**
Finance lease*	*(979)*	**1**	**—**	**(978)**

Company	*29 October 2011 £000*	**Cash flow £000**	**Non-cash item £000**	**3 November 2012 £000**
Cash at bank and in hand	*44*	**(44)**	**—**	**—**
Overdraft	*—*	**(5)**	**—**	**(5)**
	44	**(49)**	**—**	**(5)**
Debt due within one year	*—*	**—**	**(307)**	**(307)**
Debt due after one year**	*(9,247)*	**(4,800)**	**(66)**	**(14,113)**
	(9,203)	**(4,849)**	**(373)**	**(14,425)**
Finance lease*	*(979)*	**1**	**—**	**(978)**

* Finance lease relates to the long leasehold.
** Includes preference share non-cash movement.

NOTES TO THE FINANCIAL STATEMENTS continued

30 Financial instruments and risk management

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. During the year the Group used an additional £4.8m of the HSBC loan facility and the ARCS loan was reduced by £1,125,000.

The capital structure of the Group consists of debt, which includes borrowing disclosed in note 21, preference shares, cash and cash equivalents and share capital, share premium account, revaluation reserve, capital redemption reserve, ESOP reserve and retained earnings.

The Group is subject to a capital requirement under the HSBC loan agreement and a number of covenants. Failure to comply with most covenants allows the bank to appoint Monitoring Accountants. In June 2012 the Group arranged a new loan with HSBC which runs to 31 October 2015. The directors meet the objectives of managing their capital by monitoring cash flows and balance sheets on a regular basis. It is noted that the ARCS preference shares also have requirements for the Group to comply with. The preference shares must be redeemed on a change of control of the Company, a sale of substantially all the assets of the Group or part redeemed on closure of a store which was acquired from ARCS on 22 May 2011.

	Group		Company	
	2012 £000	*2011 £000*	**2012 £000**	*2011 £000*
Overdrafts (note 21)	**5**	*—*	**5**	*—*
Preference shares (note 20)	**6,520**	*6,147*	**6,520**	*6,147*
Debt (note 21)	**9,275**	*5,600*	**7,905**	*3,100*
Cash and cash equivalents	**(454)**	*(738)*	**—**	*(43)*
Net debt	**15,346**	*11,009*	**14,430**	*9,204*
Equity	**9,533**	*16,858*	**21,745**	*22,883*
Net debt to equity ratio	**160.98%**	*65.30%*	**66.36%**	*40.22%*

Categories of financial instruments

	Group		Company	
	2012 £000	*2011 £000*	**2012 £000**	*2011 £000*
Financial assets				
Loans and receivables	**5,295**	*5,676*	**19,486**	*16,571*
Cash and bank balances	**454**	*738*	**—**	*43*
Embedded derivative (FVTPL Fair value through profit or loss)	**1,416**	*1,233*	**1,416**	*1,233*
Held-to-maturity investments	**16**	*16*	**—**	*—*
Pension guarantee	**—**	*—*	**379**	*425*
	7,181	*7,663*	**21,281**	*18,272*
Financial liabilities				
Preference shares (amortised cost)	**(6,520)**	*(6,147)*	**(6,520)**	*(6,147)*
Pension guarantee	**—**	*—*	**(379)**	*(425)*
Bank and other loans	**(9,275)**	*(5,600)*	**(7,900)**	*(3,100)*
Overdrafts	**(5)**	*—*	**(5)**	*—*
Trade and other payables	**(14,720)**	*(15,797)*	**(218)**	*(1,160)*
	(30,520)	*(27,544)*	**(15,022)**	*(10,832)*

30 Financial instruments and risk management continued

Preference shares

The preference shares have a five year interest free period and also an option for the Company to repay at any time without any penalty. The preference shares were fair valued at inception at £5,968,000. The initial value was established by an independent third party valuer. From the inception date the preference shares are accounted for on an amortised cost basis and were recorded at £6,520,000 (*2011: 6,147,000)*. The effective interest rate arising on the preference share liability is 7.11% (*2011: 7.11%)*.

Financial instruments

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, as with the 8.5m preference shares, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

No dividend accrues on the preference shares until five years from the date of issue. Thereafter, a preferential dividend of 8% per annum will be payable on each of the preference shares for 4 years, increasing to 9% thereafter. The preference shares can be repaid at any time at no penalty.

An embedded derivative in relation to the prepayment option arising on the 8,500,000 preference shares was valued at inception to be £1,078,000. As at 3 November 2012 the derivative was valued at £1,416,000 *(2011: £1,233,000)*. It has been assumed the Group can borrow at 5% *(2011: 4%)* over LIBOR without security in determining the credit spread required to value this instrument. The valuations were supplied by an independent third party.

	Group		Company	
	2012 £000	*2011 £000*	**2012 £000**	*2011 £000*
Embedded derivative	**1,416**	*1,233*	**1,416**	*1,233*

Embedded derivative sensitivity analysis

The table below illustrates the estimated impact on the income statement and equity as a result of market movements in interest rates in relation to the Group's financial instruments. The Group considers that a 1% ± movement in interest rates represents a reasonable possible change. However, this analysis is for illustrative purposes only.

	1% decrease in interest rate £000	1% increase in interest rate £000
Impact on income statement gain/(loss) 53 weeks ended 3 November 2012	**187**	**(158)**
Impact on income statement gain/(loss) 52 weeks ended 29 October 2011	**188**	**(163)**

Financial risk management objectives

The Group's treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The corporate treasury function reports to the Board regularly.

NOTES TO THE FINANCIAL STATEMENTS continued

30 Financial instruments and risk management continued

Market risk

The Group's activities do not expose it to changes in foreign currency exchange rates as nearly all imports are purchased in sterling. Amounts purchased in foreign currency are not material. The Group has not entered into any forward foreign currency exchange contracts during the year. Accordingly no sensitivity analysis is disclosed.

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds from third parties the interest rates on which are linked to LIBOR and because of the embedded derivative. The preference shares are interest free for the five years commencing 22 May 2011.

Given the above and assuming that going forward the base rate is relatively stable, the Group's exposure to interest rate movement is limited. To mitigate against the interest rate exposure risk the Board could choose to use interest rate swap contracts. Alternatively the Group could adjust its working capital structure to reduce borrowings, for example by increasing credit payment terms with suppliers.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

- If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year ended 3 November 2012 would decrease by £233,000 (*2011: decrease by £220,000)*.
- If interest rates had been 1% lower and all other variables constant, the Group's profit for the year ended 3 November 2012 would increase by £292,000 (*2011: £245,000)*.

This is attributable to the Group's exposure to interest rates on its bank borrowing and credit spread on its derivative instrument. The Group's exposure to interest rate risk increased during the year as a result of the embedded derivative as noted above.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient information where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by credit rating agencies where appropriate. The Group's exposure of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the credit control. The Group's exposure to credit risk is extremely low. The Group's main lending relates to lending to the public in the form of the store card debtors and interest free credit debtors. The Group does carry out credit evaluation on a fair proportion of credit accounts opened. Given the Group closed its store card facility on 17 November 2012 it is now in the process of simply collecting the outstanding debt. The Board regard credit risk to the Group as very low as no one individual debtor is material.

30 Financial instruments and risk management continued

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. As at the year end the Group has a further £1.05m (*2011: £6.6m)* of undrawn committed borrowing facilities, including credit balances, available for drawdown. The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the date on which the Group can be required to pay.

Group 3 November 2012	Average Interest rate	Less than 1 month £000	1-3 months £000	3 months to 1 year £000	1-5 years £000	More than 5 years £000	Total £000
Preference shares	7.11%	–	307	–	1,272	9,622	11,201
Bank loan	4.15%	36	73	698	7,910	–	8,717
ARCS loan	4.96%	–	–	315	1,136	128	1,579
Finance lease (note 23)	8.5%	–	–	34	136	1,739	1,909
		36	380	1,047	10,454	11,489	23,406
Group							
29 October 2011							
Preference shares	*7.11%*	*–*	*–*	*–*	*–*	*11,262*	*11,262*
ARCS loan	*4.83%*	*250*	*–*	*602*	*1,919*	*–*	*2,771*
Bank loan	*3.59%*	*–*	*–*	*3,211*	*–*	*–*	*3,211*
Finance lease (note 23)	*8.5%*	*–*	*–*	*34*	*136*	*1,774*	*1,944*
		250	*–*	*3,847*	*2,055*	*13,036*	*19,188*

Company							
3 November 2012							
Preference shares	7.11%	–	307	–	1,272	9,622	11,201
Bank loan	3.5%	36	73	698	7,910	–	8,717
Finance lease (note 23)	8.5%	–	–	34	136	1,739	1,909
		36	380	732	9,318	11,361	21,827
Company							
29 October 2011							
Preference shares	*7.11%*	*–*	*–*	*–*	*–*	*11,262*	*11,262*
Bank Loan	*3.59%*	*–*	*–*	*3,211*	*–*	*–*	*3,211*
Finance lease (note 23)	*8.5%*	*–*	*–*	*34*	*136*	*1,774*	*1,944*
Inter-company balance	*–*	*852*	*–*	*–*	*–*	*–*	*852*
		852	*–*	*3,245*	*136*	*13,036*	*17,269*

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS continued

30 Financial instruments and risk management continued

Group 3 November 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at FVTPL (fair value through profit or loss)				
Derivative financial assets	**–**	**1,416**	**–**	**1,416**
Non-derivative financial assets held for trading	**–**	**–**	**5,749**	**5,749**
Available for sale financial assets	**–**	**–**	**16**	**16**
Total	**–**	**1,416**	**5,765**	**7,181**
Financial liabilities at FVTPL				
Preference shares	**–**	**6,520**	**–**	**6,520**
Financial liabilities designated at FVTPL	**–**	**–**	**24,000**	**24,000**
Total	**–**	**6,520**	**24,000**	**30,520**
Group				
29 October 2011				
Financial assets at FVTPL (Fair value through profit or loss)				
Derivative financial assets	*–*	*1,233*	*–*	*1,233*
Non-derivative financial assets held for trading	*–*	*–*	*6,414*	*6,414*
Available for sale financial assets	*–*	*–*	*16*	*16*
Total	*–*	*1,233*	*6,430*	*7,663*
Financial liabilities at FVTPL				
Preference shares	*–*	*6,147*	*–*	*6,147*
Financial liabilities designated at FVTPL	*–*	*–*	*21,397*	*21,397*
Total	*–*	*6,147*	*21,397*	*27,544*

Company **3 November 2012**				
Financial assets at FVTPL				
Derivative financial assets	**–**	**1,416**	**–**	**1,416**
Non-derivative financial assets held for trading	**–**	**–**	**19,865**	**19,865**
Total	**–**	**1,416**	**19,865**	**21,281**
Financial liabilities at FVTPL				
Preference shares	**–**	**6,520**	**–**	**6,520**
Non-derivative financial assets held for trading	**–**	**–**	**8,502**	**8,502**
Total	**–**	**6,520**	**8,502**	**15,022**
Company				
29 October 2011				
Financial assets at FVTPL				
Derivative financial assets	*–*	*1,233*	*–*	*1,233*
Non-derivative financial assets held for trading	*–*	*–*	*17,039*	*17,039*
Total	*–*	*1,233*	*17,039*	*18,272*
Financial liabilities at FVTPL				
Preference shares	*–*	*6,147*	*–*	*6,147*
Non-derivative financial assets held for trading	*–*	*–*	*4,685*	*4,685*
Total	*–*	*6,147*	*4,685*	*10,832*

31 Commitments under operating leases

Group	2012 Land & buildings £000	2012 Other £000	*2011 Land & buildings £000*	*2011 Other £000*
At 3 November 2012 the Group had total commitments under non-cancellable operating leases as follows:				
Within one year	**5,838**	**196**	*6,221*	*275*
Between two and five years	**22,868**	**383**	*23,963*	*514*
More than five years	**47,221**	**—**	*54,111*	*—*
	75,927	**579**	*84,295*	*789*

The lessee's significant leasing arrangements relate to the leasing of department stores. None of the leases give the Group a purchase option. The Group's leases of land and buildings are subject to rent reviews at intervals between one and five years. None of the department store leases has a fixed escalation clause.

Company

The Company had no commitments under non-cancellable operating leases at 3 November 2012 and 29 October 2011.

32 Pensions

The Group operates the Beales and Denners pension schemes. Actuarial gains and losses are recognised in full in the period in which they occur. The Group has adopted the revised version of IAS 19 (Employee Benefits) published in December 2004. As permitted by the revised standard, actuarial gains and losses are recognised outside the consolidated income statement and presented in the statement of changes in equity. The liability recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of plan assets. The cost of providing benefits is determined using the Projected Unit Credit Method.

Beales Pension Scheme

The Beales Pension Scheme has sections providing benefits on both a defined benefit and defined contribution basis. The defined benefit section was closed to new entrants on 6 April 1997 and was closed to further accrual on 30 April 2009. New entrants to the pension scheme join the defined contribution section. Final salary actives who ceased accruing pension in the final salary scheme were invited to join the defined contribution section. Final salary actives who stay in service after 30 April 2009 until their usual retirement date have their final salary pension based on the greater of i) the final pensionable salary at the point of a individual taking their pension or ii) the final pensionable salary at 30 April 2009 revalued in line with statutory requirements. A similar calculation is applied to actives who become deferred and who do not stay up to retirement. The scheme funds are administered by trustees and are independent of the Group's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuarial adviser.

Denners Pension Scheme

Denners Limited, which was acquired on 8 March 1999, operated a defined benefit pension scheme for eligible employees. The Scheme was closed on 30 June 1999. Denners Limited employees were offered the opportunity to transfer into the Beales Pension Scheme from 1 July 1999. Certain employees opted so to do.

NOTES TO THE FINANCIAL STATEMENTS continued

32 Pensions continued

Defined benefit plans

For some of the employees of Beale PLC, the Group operates a funded pension plan providing benefits for its employees based on final pensionable emoluments. The assets of the plan are held in a separate trustee administered fund.

The most recent triennial valuation of the Beales pension scheme for funding purposes was performed as at 30 October 2010. Under the funding schedule agreed with the scheme trustees, the Group aimed to eliminate the current deficit by November 2017. This date was extended to August 2023 in June 2012 when the Company reduced its contributions to the defined benefit scheme as part of the refinancing. The reduction in funding was covered by a second charge over the Group freehold properties. The Group will monitor funding levels annually and the funding schedule will be reviewed between the Group and the trustees every three years, based on actuarial valuations. The Group considers that the contribution rates agreed with the trustees are sufficient to eliminate the current deficit over the agreed period.

The most recent triennial valuation of the Denners pension scheme for funding purposes was performed as at 29 October 2011. As at 29 October 2011 the scheme was in surplus so no company contributions are currently payable. The Group will monitor funding levels annually and the funding schedule will be reviewed between the Group and the trustees every three years, based on actuarial valuations. The next triennial valuation is drawn up as at October 2014.

The results of the Beales Pension Scheme formal actuarial valuation as at 30 October 2010 were updated to the accounting date by an independent qualified actuary in accordance with IAS 19. As required by IAS 19, the value of the defined benefit obligation and current service cost has been measured using the Projected Unit Credit Method.

The pension cost of the Denners Scheme is assessed every three years in accordance with the advice of a qualified actuary. The most recent valuation was as at 29 October 2011 and was carried out by professionally qualified consulting actuary, Legal & General.

As required by IAS 19, an independent actuary determined the value of the defined benefit obligation and current service cost; this has been measured using the Projected Unit Credit Method.

The expected rate of return on assets for the financial year ending 3 November 2012 was 5.9% per annum *(2011: 6.2% per annum)*. This rate is derived by taking the weighted average of the long-term expected rate of return on each of the asset classes that the plan was invested in at 29 October 2011.

The estimated amount of contributions expected to be paid to the Beales and Denners plans during 2012/13 in respect of final salary benefits is £500,000 *(2011: £1,550,004)*. As at 3 November 2012 there is a contribution creditor within the defined benefit plans of £41,667 *(2011: £129,167)*.

Defined contribution

Group contributions to the defined contribution scheme totalled £228,000 *(2011: £237,000)*.

32 Pensions continued

Principal actuarial assumptions

The pension information below is a combination of both the Beales pension scheme and the Denners pension scheme. As at 3 November 2012 the Beales pension scheme had a deficit of £1,659,000 *(2011: £752,000)* and the Denners pension scheme had a surplus of £488,000 *(2011: £549,000)*.

The Denners pension scheme surplus is treated as an asset as on wind up of the Denners pension scheme any surplus is repayable to the Group. As the principal employer of both the Beales Pension Scheme and the Denners Pension scheme is JE Beale plc, and the similarity in the profile of the two schemes, the two schemes have been netted off in the figures below. Both schemes have adopted the same key assumptions set out below.

The principal assumptions based on advice from, and used by, the independent qualified actuaries in updating the latest valuations of the schemes for IAS 19 purposes were:

	2012 £000	*2011* *£000*	*2010* *£000*
Retail price inflation	**2.60%**	*2.90%*	*3.20%*
Consumer price index	**1.90%**	*2.20%*	*2.60%*
Discount rate	**4.35%**	*5.20%*	*5.40%*
Pension increases (fixed 5%)	**5.00%**	*5.00%*	*5.00%*
Pension increases (LPI)	**2.40%**	*2.70%*	*3.00%*
General salary increases	**1.90%**	*2.20%*	*3.20%*
Expected return on assets	**5.10%**	*5.90%*	*6.20%*
Life expectancy of male/female pensioner aged 65	**22.2/25.0**	*22.2/25.0*	*22.1/25.0*
Life expectancy of male/female member from the age of 65 currently aged 50	**23.0/25.8**	*23.0/25.8*	*22.9/25.7*

	2012 £000	*2011* *£000*
The amounts recognised as expense/(income) in respect of defined benefit schemes:		
Employer's part of current service cost	**207**	*230*
Interest cost	**1,972**	*2,063*
Expected return on plan assets	**(2,247)**	*(2,249)*
Total (income)/expense recognised in income statement	**(68)**	*44*

	2012 £000	*2011* *£000*
Movements in present value of defined benefit obligations were as follows:		
Opening defined benefit obligations	**38,790**	*39,050*
Employer's part of current service cost	**207**	*230*
Interest cost	**1,972**	*2,063*
Actuarial loss/(gain)	**4,260**	*(842)*
Benefits paid	**(1,713)**	*(1,711)*
Closing defined benefit obligations	**43,516**	*38,790*

NOTES TO THE FINANCIAL STATEMENTS continued

32 Pensions continued

	2012 £000	2011 £000
Movements in the fair value of scheme assets were as follows:		
Opening fair value of plan assets	**38,587**	*36,568*
Expected return on plan assets	**2,247**	*2,249*
Actuarial gain/(loss)	**2,024**	*(99)*
Contributions by the employer	**1,200**	*1,580*
Benefits paid	**(1,713)**	*(1,711)*
Closing fair value of plan assets	**42,345**	*38,587*

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Combined Schemes					
Present value of defined benefit obligations	**43,516**	*38,790*	*39,050*	*38,041*	*29,573*
Fair value of plan assets	**(42,345)**	*(38,587)*	*(36,568)*	*(33,508)*	*(28,204)*
Deficits	**1,171**	*203*	*2,482*	*4,533*	*1,369*
Beales Pension Scheme					
Present value of defined benefit obligations	**41,384**	*36,810*	*37,037*	*36,022*	*27,909*
Fair value of plan assets	**(39,725)**	*(36,058)*	*(34,110)*	*(31,218)*	*(26,266)*
Deficit	**1,659**	*752*	*2,927*	*4,804*	*1,643*
Denners Pension Scheme					
Present value of defined benefit obligations	**2,132**	*1,980*	*2,013*	*2,019*	*1,664*
Fair value of plan assets	**(2,620)**	*(2,529)*	*(2,458)*	*(2,290)*	*(1,938)*
(Surplus)	**(488)**	*(549)*	*(445)*	*(271)*	*(274)*

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Expected return			Fair value of assets		
	2012 % pa	2011 % pa	2010 % pa	2012 £000	2011 £000	2010 £000
Equity instruments	**7.3**	*7.9*	*8.1*	**15,815**	*14,578*	*13,915*
Bonds	**3.7**	*4.6*	*4.9*	**24,994**	*22,545*	*21,096*
Other	**2.8**	*3.4*	*4.1*	**107**	*17*	*93*
Property	**4.8**	*5.4*	*6.1*	**150**	*150*	*150*
Annuities	**4.3**	*5.2*	*5.6*	**1,279**	*1,297*	*1,314*
				42,345	*38,587*	*36,568*

32 Pensions continued

Scheme assets

The weighted-average asset allocations at the respective year ends were as follows:

Asset category	2012 £000	*2011 £000*	*2010 £000*
Equities	**38%**	*38%*	*38%*
Bonds	**59%**	*58%*	*58%*
Property	**–**	*–*	*–*
Insured pension asset	**3%**	*4%*	*4%*
Other	**–**	*–*	*–*
Total	**100%**	*100%*	*100%*

Expected rate of return

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class.

Weighted average assumptions used to determine benefit obligations at:	3 November 2012	*29 October 2011*
Discount rate	**4.35%**	*5.2%*
Rate of compensation increase	**2.60%**	*2.9%*

Weighted average assumptions used to determine net pension cost for period ended:	3 November 2012	*29 October 2011*
Discount rate	**5.2%**	*5.4%*
Expected long-term return on scheme assets	**5.9%**	*6.2%*
Rate of compensation increase	**2.9%**	*2.9%*

32 Pensions continued

Sensitivity analysis

The sensitivity of the 2012 year end results to changes in two key assumptions is shown below:

Funding position	Discount rate movement of - 0.25%	RPI movement of + 0.25%
Impact on balance sheet deficit	Deficit up by £1.6m	Deficit up by £0.6m
Impact on 2011/12 Income Statement	Income Statement profit up by £0.6m	Income Statement profit down by £0.3m

The sensitivity of the 2011 year end results to changes in two key assumptions is shown below:

Funding position	Discount rate movement of - 0.25%	RPI movement of + 0.25%
Impact on balance sheet deficit	Deficit up by £1.3m	Deficit up by £0.5m
Impact on 2010/11 Income Statement	Income Statement profit up by £0.02m	Income Statement profit down by £0.03m

	53 weeks to 3 November 2012 £000	*52 weeks to 29 October 2011 £000*	*52 weeks to 30 October 2010 £000*	*52 weeks to 31 October 2009 £000*	*52 weeks to 1 November 2008 £000*
Actual return on plan assets	**4,271**	*2,150*	*3,800*	*5,858*	*(4,572)*
Difference between actual and expected return on scheme assets					
— Amount of (gain) and loss	**(2,024)**	*99*	*(1,758)*	*(3,767)*	*6,674*
— Percentage of scheme assets	**(4.78%)**	*0.26%*	*(4.81%)*	*(11.24%)*	*23.66%*
Experience losses and (gains) on scheme liabilities					
— Amount	**22**	*(850)*	*(1)*	*(5)*	*808*
— Percentage of Scheme liabilities	**0.05%**	*2.19%*	*—*	*—*	*2.7%*

33 Related party transactions

Ultimate Controlling Party

Related party transactions were made on terms equivalent to those that prevail in any arm's length transactions. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Beale PLC is quoted on the London Stock Exchange and as such, no individual shareholder is the ultimate controlling party.

Parent Company

During the year the Company received rent of £295,000 *(2011: £295,000)*, interest of £347,300 *(2011: £171,578)* and a management charge of £nil *(2011: £nil)* from JE Beale plc. At the year end there was a £16.5m loan *(2011: £16.5m)* from the Company to JE Beale plc. £9.0m *(2011: £9.0m)* of the loan was repayable on 366 days' notice and £7.5m *(2011: £7.5m)* was repayable on demand. In addition, at 3 November 2012, JE Beale plc owed £2,973,027 *(2011: £Nil)* to the Company. At 3 November 2012 the Company owed £Nil *(2011: £852,096)* to JE Beale plc. The remuneration of the directors is set out in the Board Report on Directors' Remuneration on pages 74 to 78. Other key management personnel in the Group received remuneration of £404,586 (*2011: £239,153)*. On 24 February 2012 Panther Securities PLC who own 29.72% of Beale PLC purchased three freeholds from ARCS for £2,250,000. (On the 22 July 2011 Panther Securities PLC who own 29.72% of Beale PLC purchased five freeholds from ARCS for £7.1m). JE Beale plc is the tenant in relation to the eight freeholds. As referred to in note 20 and note 21 ARCS owns 8.5m £1 preference shares in Beale PLC and the Group has a £1,375,000 *(2011: £2.5m)* loan from ARCS. During the year ARCS waived £500,000 of the loan, this was credited to the consolidated statement of Comprehensive (Loss)/Income and J.E. Beale plc repaid £625,000.

34 Post Balance Sheet Events

On 7 December 2012 the Company redeemed 306,612 £1 preference shares. On 1 February 2013 the Group agreed a new secured loan facility with Burdale Financial Limited. On 22 January 2013 we announced that on 8 February 2013 Tony Brown will resign as Chief Executive and that on 9 February 2013 Michael Hitchcock will be appointed Chief Executive. On 28 January 2013 a circular was issued to shareholders whereby the Board sought authority from shareholders to transfer the listing category from premium to standard. After the AGM, Simon Peters will resign as an non-executive director and be replaced by Stuart Lyons CBE as Panther Securities PLC representative.

BOARD REPORT ON DIRECTORS' REMUNERATION

This report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration. As required by the regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The 2008 regulation requires the auditor to report to the Company's members on certain parts of the directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the regulations. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration committee

For the period from 8 November 2011 to 3 November 2012 the members of the committee were Keith Edelman and William Tuffy, who were both independent non-executive directors; with William Tuffy chairing the committee. For the first eight days of the financial year the committee consisted of Mike Killingley and Keith Edelman. Mike Killingley resigned on 8 November 2011.

Neither member of the committee had any personal financial interest (other than as a shareholder), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The committee makes recommendations to the Board. No director plays a part in any discussion about his or her own remuneration.

Remuneration policy for the executive directors

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to maintain the Group's position and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the committee.

There are four main elements of the remuneration package for executive directors:

- basic annual salary;
- benefits in kind;
- annual bonus payments; and
- pension arrangements.

The Company's policy is that a substantial proportion of the remuneration of the executive directors should be performance related.

Executive directors are entitled to accept appointments outside the Company provided that the Board's permission is first sought.

Basic salary

Executive directors' salaries are reviewed annually on 1 October with regard to levels of remuneration and performance relative to comparable companies within the department store/retail sector, growth in returns to shareholders through earnings per share and capital growth and the contribution of the individual director. In addition, the committee considers average staff pay increases and the conditions of employees when setting directors' remuneration.

Benefits in kind

The executive directors receive certain benefits in kind, private health insurance and discount on merchandise purchased in store. Tony Richards' subsistence expenses are paid for by the Company. Tony Brown and Tony Richards had a fully funded company car and Ken Owst received a car allowance up until his resignation.

Performance Share Plan

The Performance Share Plan ('PSP'), which was approved by shareholders at the 2011 EGM, was introduced as the Company's primary long-term incentive plan. Under the PSP, awards are made to executive directors and selected other executives on the following basis:

The maximum award level is 150% of base salary per annum although awards up to 200% of base salary may be granted to an individual in exceptional circumstances (e.g. recruitment or retention).

For the awards granted to the executive directors and senior executives last year; the performance condition that will determine the vesting of awards will be based on the absolute "EPS" in 2013/14. EPS is the earnings per share of the Company calculated on such basis as specified by the committee. The performance condition applying to the awards granted will allow 25% of an award to vest for EPS in the 2013/14 financial year of 4.25 pence, increasing pro-rata to 100% vesting of an award for EPS in the 2013/14 financial year of 9.25 pence. For the purposes of comparison, EPS in the 2011/12 (28.3) pence *(2011: 2.93 pence)*. The remuneration committee is of the opinion that the performance conditions will not be achieved.

Performance conditions were calculated by the remuneration committee. The committee may decide that executives benefit, in the form of additional cash or shares, from the value of dividends paid over the vesting period, to the extent that awards vest. It is currently intended that new issued shares are used to satisfy awards.

Bonus

The executive directors participate in an annual bonus scheme whereby Tony Brown can earn a bonus of up to 100% of his salary. Tony Richards can earn a bonus of up to 60% of his salary. This scheme is self-financing and is based primarily on achieving demanding profit targets; the scheme also provides for an element payable at the discretion of the remuneration committee. No bonus was payable during the year ended 3 November 2012.

In the year ended 29 October 2011 following significant contributions from the executive directors in relation to the acquisition of 19 department stores from ARCS, the remuneration committee awarded bonuses of £224,000.

Audited information

Pension arrangements

One executive director, Ken Owst (who resigned on 23 June 2012) was a deferred member of the final salary section of the Group's occupational pension scheme, which is registered with HM Revenue and Customs. The final salary pension scheme was closed to further accrual on 30 April 2009. Bonus payments and benefits in kind were not pensionable.

The scheme provided for enhanced benefits for Ken Owst, namely a normal retirement age of 60, an accrual rate of 1/45 final salary for each year of service, life assurance cover, plus a spouse's pension following death in service, if applicable, and a spouse's pension after retirement. Ken Owst is entitled to a pension on early retirement due to ill health of 2/3 final salary. Spouses' pensions of one half of directors' pensions are payable on death after retirement. In common with other members, pensions related to service prior to 6 April 1997 are increased by 5% per annum and pensions related to subsequent service are increased in line with the Retail Prices Index (subject to a maximum of 5% per annum).

Name of director	Age (last birthday) at 03/11/12	Directors' contributions in the accounting period (note (a)) £	Transfer value of accrued benefits at 29/10/11 £	Transfer value of increase in accrued pension over the period (net of member contributions) £	Transfer value of accrued benefits at 03/11/12 £	Increase in transfer value over the accounting period less directors' contributions £	Increase in accrued pension (note (b)) £ p.a.	Accrued pension at 03/11/12 (note (c)) £ p.a.
Ken Owst	56	nil	557,300	nil	625,300	68,000	(600)	44,100
2011	*55*	*nil*	*475,100*	*nil*	*557,300*	*82,200*	*nil*	*42,500*

BOARD REPORT ON DIRECTORS' REMUNERATION continued

Notes:

(a) Since the defined benefit section of the scheme closed to future accrual on 30 April 2009, no contributions have been paid in the accounting period by the director.

(b) The absolute increase in accrued pension during the accounting period (net of inflation).

(c) Accrued pension is that which would be paid annually on retirement at 60, based on service to 30 April 2009 when the scheme closed to future accrual.

(d) Ken Owst left the company on 23 June 2012.

(e) Tony Brown and Tony Richards are members of the money purchase section of the Group's occupational pension scheme and the Company contributed £12,500 *(2011: £37,500)* and £6,666 *(2011: £Nil)* respectively to their pensions in the financial year. Tony Brown became a deferred member on 1 March 2012.

(f) The Company contributed £6,800 *(2011: £10,116)* to Ken Owst's personal pension scheme.

Unaudited information

Service contracts and letters of appointment

	Date of contract	Unexpired term	Notice period
Tony Brown	11/10/2007	10 years 1 month	1 year
John Chillcott	08/07/2011	See page 20	See page 20
Keith Edelman	15/09/2011	1 year 11 months	6 months
Simon Peters	19/04/2010	6 months	6 months
Tony Richards	30/08/2011	18 years 4 months	1 year
William Tuffy	07/11/2011	2 years	6 months

Non-executive directors

All non-executive directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. The basic fee paid to each non-executive director in the year is set out below. The non-executive directors do not receive additional fees in respect of their membership of the remuneration committee, nomination committee or audit committee. Non-executive directors cannot participate in any of the Company's future share option schemes and are not eligible to join the Company's pension scheme.

Audited information

Directors' emoluments

	Salary £000	Benefits £000	Fees £000	Bonus £000	**2012 Total £000**	*2011 Total £000*
Executive						
Tony Brown	275	7	—	—	**282**	*363*
Tony Richards	125	24	—	—	**149**	*57*
Ken Owst*	88	5	—	—	**93**	*243*
Non-executive						
Keith Edelman	—	—	64	—	**64**	*25*
Mike Killingley	—	—	1	—	**1**	*44*
Simon Peters	—	—	—	—	**—**	*—*
John Chillcott	—	—	—	—	**—**	*—*
William Tuffy	—	—	30	—	**30**	*—*
Total	488	36	95	—	**619**	*732*

* resigned 23 June 2012

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2012 £000	*2011 £000*
Salaries, fees, bonuses and benefits in kind	**619**	*732*
Compensation for loss of office	**—**	*—*
Gains on exercise of share options	**—**	*—*
Amounts receivable under long-term incentive schemes	**—**	*—*
Money purchase pension contributions	**26**	*48*
	645	*780*

Ken Owst was a deferred member of the defined benefit scheme section of the Beales pension scheme and has a personal pension. Tony Brown and Tony Richards are deferred and active members respectively of the defined contribution section of the Beales pension scheme.

Share option plans

During the year there were no share option plans in operation, all previously allocated options having lapsed in 2005.

Performance Share Plan

At 3 November 2012, outstanding awards to directors under the Performance Share Plan were as follows:

Director	Award date	Vesting date	Market price at award date	At 29 October 2011	Awarded during year	Lapsed during year	Vested during year	At 3 November 2012
Tony Brown	July 2011	Oct 2014	36.25p	553,250	—	—	—	553,250
Ken Owst	July 2011	Oct 2014	36.25p	138,312	—	138,312	—	—
Tony Richards	Sept 2011	Oct 2014	29p	138,312	—	—	—	138,312

For specific details of the plan see pages 74 and 75 and note 26.

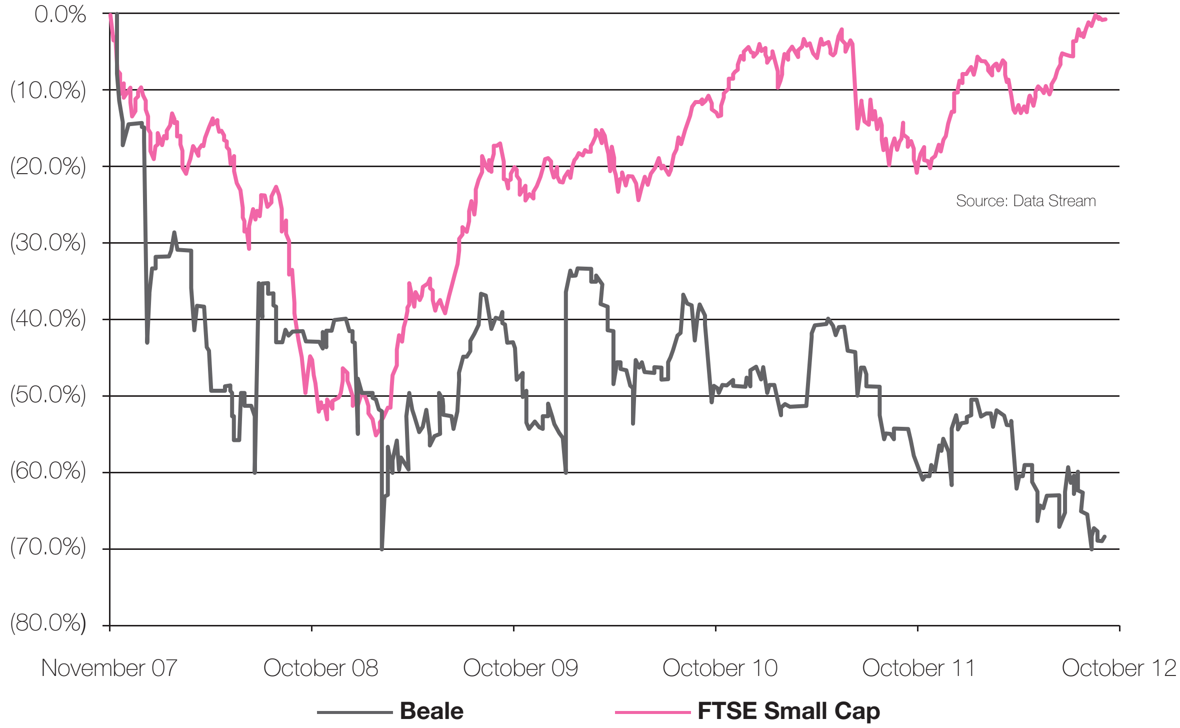
BOARD REPORT ON DIRECTORS' REMUNERATION continued

For the awards granted to the executive directors and senior executives this year; the performance condition that will determine the vesting of awards will be based on the absolute "EPS" in 2013/14. EPS is the earnings per share of the Company calculated on such basis as specified by the committee. The performance condition applying to the awards granted will allow 25% of an award to vest for EPS in the 2013/14 financial year of 4.25 pence, increasing pro-rata to 100% vesting of an award for EPS in the 2013/14 financial year of 9.25 pence. For the purposes of comparison, EPS in the 2011/12 financial year of the Company was (28.3) pence *(2011: 2.93 pence)*. For further details see note 26.

Performance Graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE Small Cap index also measured by total shareholder return. The FTSE Small Cap index has been selected for this comparison because the Company's stockbrokers, Shore Capital & Corporate Limited, have advised it is an appropriate comparator for performance.

Beale Vs FTSE Small Cap



Signed on behalf of the Board

William Tuffy
Chairman of the remuneration committee
4 February 2013

NOTICE OF ANNUAL GENERAL MEETING

BEALE PLC

Company Number 02755125 (England & Wales)

Notice is hereby given that the Annual General Meeting of Beale PLC will be held at The Haven Hotel, Sandbanks, Poole on Tuesday 19 March 2013 at 3.00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 6 (inclusive) will be proposed as ordinary resolutions and resolution 7 will be proposed as a special resolution:

Ordinary resolutions

1. To receive the financial statements and reports of the directors and auditor for the 53 weeks ended 3 November 2012.

2. To receive the directors' remuneration report for the 53 weeks ended 3 November 2012.

3. To elect Michael Hitchcock as an executive director.

4. To reappoint Deloitte LLP as auditor.

5. To authorise the directors to determine the auditor's remuneration.

6. To generally and unconditionally authorise the directors for the purposes of section 551 of the Companies Act 2006 (the "Act") to allot shares (or to grant rights to subscribe for or to convert any security into shares) in the Company up to an aggregate nominal amount of £342,079. Such authority, unless previously renewed, extended, varied or revoked by the Company in general meeting, shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2014, provided that the Company may, prior to the expiry of such period, make an offer or agreement which would or might require shares to be allotted after such expiry and the directors may allot shares pursuant to such offer or agreement notwithstanding the expiry of the authority given by this resolution.

Special resolution

7. Subject to and conditional upon the passing of resolution 6 above, to empower the directors pursuant to section 570 of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash as if section 561(1) of the Act did not apply to any such allotment provided that:

   (a) the power conferred hereby shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2014 unless previously renewed, extended, varied or revoked by the Company in general meeting;

   (b) the Company may, before the expiry of such authority, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; and

NOTICE OF ANNUAL GENERAL MEETING continued

(c) such authority is limited to:

i. the allotment of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements and/or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; or

ii. the allotment of equity securities up to an aggregate nominal amount of £51,312 for cash otherwise than pursuant to paragraph (c)(i) above.

By order of the Board

Chris Varley BSc FCA
Secretary
15 February 2013
Bournemouth

Registered office:
The Granville Chambers
21 Richmond Hill
Bournemouth
BH2 6BJ

Notes:

(a) **THIS SECTION OF THE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document and/or the action you should take, you should immediately consult your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser in your own jurisdiction.

If you have recently sold or otherwise transferred all of your ordinary shares in Beale PLC, please pass this document together with the accompanying form of proxy to the purchaser or transferee or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares as soon as possible.

(b) Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote at the meeting and at any adjournment of it. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to different shares held by that shareholder. A proxy need not be a member of the Company but must attend the meeting to represent you. A proxy form for appointing a proxy and giving proxy instructions in respect of shares held in certificated form accompanies this notice. Members may only appoint a proxy using the procedures set out in these notes and (in respect of shares held in certificated form) the notes to the proxy form. To appoint more than one proxy, you may photocopy the form of proxy. Please indicate the proxy holder's names and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you).

(c) To be valid, any proxy form should be completed and returned (together with the power of attorney or other authority, if any, under which it is signed or a duly certified copy of such power or authority) so as to reach the Company's registrars, Capita Registrars, The Registry (PXS), 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 48 hours before the time fixed for the meeting (the "**Specified Time**"). Completion and return of a proxy form or the giving of a CREST proxy instruction in accordance with note (d) below does not preclude a member from subsequently attending the meeting and voting in person although in that event, any proxy appointment will automatically be terminated. If a shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

(d) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of such meeting by using the procedures described in the CREST manual (available from https://www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST proxy instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**EUI**") specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent RA10 by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

NOTICE OF ANNUAL GENERAL MEETING continued

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that its CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company may, in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (the "**2001 Regulations**"), treat a CREST proxy instruction as invalid.

(e) Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no proxy appointment right or has such right but does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in note (b) does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

(f) In accordance with Regulation 41 of the 2001 Regulations, the Company gives notice that only those members entered on the Company's register of members (the "**Register**") at the Specified Time will be entitled to attend or vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the meeting. Should the meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in such notice.

(g) As at 15 February 2013 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 20,524,797 ordinary shares of 5 pence each and 8,193,388 redeemable preference shares of £1.00 each. While the preference shares do not ordinarily carry voting rights, each ordinary share carries one vote and the total voting rights in the Company as at 15 February 2013 are, therefore, 20,524,797.

(h) The directors' service agreements and letters of appointment are available for inspection at the Company's registered office during normal office hours until the day of the meeting, when they will be available at The Haven Hotel, Sandbanks, Poole from fifteen minutes prior to the meeting until its conclusion.

(i) Information regarding the meeting, including the information required by section 311A of the Act, is available from www.beales.co.uk.

(j) Under section 319A of the Act, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(k) Pursuant to sections 527 to 531 of the Act, where requested by a member or members meeting the qualification criteria set out at note (l) below, the Company must publish on its website a statement setting out any matter that such members propose to raise at the meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting.

Where the Company is required to publish such a statement on its website:

- it may not require the members making the request to pay any expenses incurred by the Company in complying with the request;
- it must forward the statement to the Company's auditor no later than the time the statement is made available on the Company's website; and
- the statement may be dealt with as part of the business of the meeting.

The request:

- may be in hard copy form or in electronic form (see note (m) below);
- must either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported;
- must be authenticated by the person or persons making it (see note (m) below); and
- must be received by the Company at least one week before the meeting.

(l) In order to be able to exercise the members' right to require the Company to publish audit concerns, the relevant request must be made by:

- a member or members having a right to vote at the meeting and holding at least 5% of the total voting rights of the Company; or
- at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital.

(m) Where a member or members wish to request the Company to publish audit concerns, such request must be made in one of the following ways:

- a hard copy request which is signed by the member, states his full name and address and is sent to the Secretary at the address provided above;
- a request which is signed by the member, states his full name and address and is sent by fax to 01202 317286 marked for the attention of the Secretary; or
- a request which states the full name and address of the member and is sent to CVarley@beales.co.uk. Please state "AGM" in the subject line of the email.

EXPLANATORY NOTES TO CERTAIN RESOLUTIONS TO BE PROPOSED AT THE AGM

Resolution 6: Directors' authority to allot shares
Resolution 6 seeks to give the directors authority to allot ordinary shares in the Company. In accordance with guidelines issued by the Association of British Insurers, the directors are requesting general authority to allot shares having a maximum nominal value of up to £342,079 (being one third of the Company's existing issued ordinary share capital).

Resolution 7: Authority for disapplication of statutory pre-emption rights
Resolution 7 sets out details of how the general authority would potentially be used.

The directors may wish to exercise the authority given to them under resolution 6 in respect of a proportionate rights issue or open offer to holders of equity securities. Such an issue would present certain practical issues in respect of (for example) fractional entitlements. This resolution would enable the directors to resolve these issues. If the directors wish to exercise their authority under resolution 6 and allot unissued ordinary shares for cash, the Act stipulates that they can only do so if such an issue is made on a pre-emptive basis or to the extent that shareholders have given specific authority for the waiver of statutory pre-emption rights which provide that new shares must first be offered to existing shareholders in proportion to their existing shareholdings.

In certain circumstances, it may be in the best interests of the Company to allot new ordinary shares, or to grant rights over such shares, for cash without first offering them to existing shareholders. For example, the directors may wish to implement a placing of new equity securities. Resolution 7 seeks to provide the directors with authority to allot ordinary shares for such a purpose until the earlier of the date falling 15 months after the AGM and the conclusion of the Annual General Meeting of the Company to be held in 2014.

The authority sought is limited to the issue of shares having a nominal value of up to £51,312, representing 5% of the total issued ordinary share capital of the Company as at 15 February 2013 (being the latest practicable date prior to the publication of this notice). There are no ordinary shares held by the Company in treasury.

While the directors have no present intention to exercise the authorities proposed to be conferred by resolutions 6 and 7, they believe that the granting of such authorities will preserve the Board's flexibility to take advantage of further opportunities if and when they arise.

The directors consider the passing of the resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole and most likely to promote the success of the Company for the benefit of those shareholders. Accordingly, the directors unanimously recommend that you vote in favour of those resolutions as they intend to do in respect of their own holdings of ordinary shares in the Company.

GROUP FIVE YEAR RECORD

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Gross sales*	135,549	110,027	87,247	84,950	88,982
Gross sales (excl. VAT)	113,342	92,448	74,696	73,735	75,891
Revenue	74,609	61,969	48,566	47,566	47,881
(Loss)/profit before taxation	(5,750)	543	(668)	(987)	(1,522)
Taxation credit	(59)	58	85	70	131
(Loss)/profit after taxation	(5,809)	601	(583)	(917)	(1,391)
Fixed assets					
Goodwill	892	892	892	892	892
Tangible assets	25,204	26,586	24,096	24,201	25,219
Financial assets	1,432	1,249	16	16	16
Cash balance	454	738	466	671	76
Other current assets	21,111	22,138	13,897	12,500	13,133
Current liabilities	(15,317)	(19,682)	(10,075)	(8,970)	(10,423)
Non-current liabilities	(24,243)	(15,063)	(14,700)	(15,505)	(11,482)
Net assets	9,533	16,858	14,592	13,805	17,431
Capital employed					
Share capital	1,026	1,026	1,026	1,026	1,026
Reserves	8,507	15,832	13,566	12,779	16,405
Total shareholders' funds	9,533	16,858	14,592	13,805	17,431
Basic (loss)/earnings per share	(28.3p)	2.93p	(2.84p)	(4.47p)	(6.78p)
Dividends per share declared	–	–	–	–	–
(Loss)/profit on shareholders' funds	(44.0%)	3.82%	(4.11%)	(5.87%)	(7.13%)
Net assets per share	46.4p	82.1p	71.1p	67.3p	84.9p

* Gross sales reflect revenue inclusive of concession sales and VAT.

CORPORATE INFORMATION

Registered office	The Granville Chambers 21 Richmond Hill Bournemouth, BH2 6BJ United Kingdom telephone 01202 552022 facsimile 01202 317286 www.beales.co.uk
Secretary	Chris Varley BSc, FCA
Auditor	Deloitte LLP, Southampton
Stockbrokers	Shore Capital and Corporate Limited, London
Registrars	Capita Registrars Limited, Beckenham
Solicitors	Blake Lapthorn, Southampton
Honorary President	Nigel Beale

FINANCIAL CALENDAR

Annual General Meeting	19 March 2013
Announcement of interim results for the 26 weeks to 28 April 2013	24 June 2013
End of financial year (52 weeks)	2 November 2013
Announcement of results for the 52 weeks to 2 November 2013	January 2014

SHAREHOLDER INFORMATION

Shareholder discount

The Company operates a discount scheme through the Group's loyalty card. This entitles shareholders with 2,500 or more shares to a discount of 10% on purchases (5% on electrical products) made in certain of the Group's stores in the financial year to 2 November 2013. The scheme is reviewed annually.

BEALES STORES

Abingdon
Fairacres Retail Park
Marcham Road
Abingdon, Oxon OX14 1TP
Tel: 01235 559 110

Beccles
22 Smallgate
Beccles, Suffolk NR34 9AD
Telephone: 01502 716 705

Bedford
5A Harpur Street
Bedford, Bedfordshire MK40 1PE
Tel: 01234 353 292

Bishop Auckland
80 Newgate Street
Bishop Auckland, County Durham
DL14 7EQ
Telephone: 01388 602 345

Bolton
79/87 Deansgate
Bolton, Lancashire BL1 1HE
Tel: 01204 521 111

Bournemouth
36 Old Christchurch Road
Bournemouth BH1 1LJ
Tel: 01202 552 022

Chipping Norton
1-4 High Street
Chipping Norton, Oxfordshire
OX7 5AB
Telephone: 01608 645 141

Cinderford
Town Hall Buildings
High Street, Cinderford,
Gloucestershire
GL14 2SP
Telephone: 01594 823 555

Diss
Market Place
Diss, Norfolk IP22 4AB
Telephone: 01379 652 248

Harrogate
5 Albert Street
Harrogate, North Yorkshire
HG1 1JU
Telephone: 01423 523 731

Hexham
48 Fore Street
Hexham, Northumberland
NE46 1NA
Tel: 01434 602151

Horsham
1 The Forum
Lower Tanbridge Way
Horsham, West Sussex
RH12 1PQ
Tel: 01403 225 220

Keighley
Beales Home Store
Hanover Street, Keighley,
West Yorkshire
BD21 3QJ
Telephone: 01535 602 776

Beales Fashion Store
Low Street
Keighley, West Yorkshire
BD21 3PU
Telephone: 01535 602 776

Kendal
37/58 Finkle Street
Kendal, Cumbria LA9 4AL
Tel: 01539 720 404

King's Lynn
Vancouver Centre
St Dominic's Square
King's Lynn, Norfolk PE30 1DT
Telephone: 01553 760 981

Lowestoft
141 London Road North
Lowestoft, Suffolk NR32 1ND
Telephone: 01502 512 444

Maidstone
Beales Outlet
The Mall, Pads Hill
Maidstone, Kent
ME15 6AR
Telephone: 01622 762413

Mansfield
Queen Street
Mansfield, Nottinghamshire
NG18 1JR
Telephone: 01623 622 582

Peterborough
Park Road
Peterborough PE1 2TA
Telephone: 01733 887 930

Poole
Dolphin Centre
Poole, Dorset BH15 1SQ
Tel: 01202 675 721

Redcar
7 Regent Walk
Redcar, Cleveland TS10 3FB
Telephone: 01642 491 397

Rochdale
Lord Square
Rochdale OL16 1ED
Telephone: 01706 646 071

Saffron Walden
6 Market Place
Saffron Walden, Essex CB10 1HR
Telephone: 01799 582 630

Skegness
77-87 Lumley Road
Skegness, Lincolnshire PE25 3LS
Telephone: 01754 613 600

Southport
295-307 Lord Street
Southport, Merseyside PR8 1NY
Tel: 01704 535 177

Spalding
7 Market Place
Spalding, Lincolnshire PE11 1SL
Telephone: 01775 713 424

St Neots
57 High Street
St. Neots, Cambridgeshire
PE19 1BT
Telephone: 01480 473 242

Tonbridge
Angel Centre
Angel Lane, Tonbridge, Kent
TN9 1SF
Tel: 01732 771 177

Winchester
The Brooks
Upper Brook Street, Winchester,
Hampshire SO23 8TL
Tel: 01962 844 749

Wisbech
1-2 Church Terrace
Wisbech, Cambridgeshire
PE13 1BJ
Telephone: 01945 582 243

Worthing
South Street
Worthing, West Sussex
BN11 3AN
Tel: 01903 231 801

Yeovil
High Street
Yeovil, Somerset BA20 1RU
Tel: 01935 444 444

Registered office
The Granville Chambers
21 Richmond Hill, Bournemouth BH2 6BJ
United Kingdom
Tel: 01202 552022 Fax: 01202 317286

www.beales.co.uk